

REPORT ON THE ACTIVITIES OF THE SIXTH, SEVENTH AND EIGHTH EUROPEAN DEVELOPMENT FUNDS (EDFs)

REPORT ON THE ACTIVITIES FUNDED BY THE SIXTH, SEVENTH AND EIGHTH EUROPEAN DEVELOPMENT FUNDS (EDFs)

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INTRODUCTION

1. The European Development Funds (EDFs) are the result of international conventions or agreements ⁽¹⁾ between the Member States of the European Union and certain countries in Africa, the Caribbean and the Pacific (ACP) ⁽²⁾ and Council decisions regarding the association of 24 overseas countries and territories (OCT). The Commission is responsible for the management of the EDFs in association with the ACP States, without prejudice to the responsibilities entrusted to the European Investment Bank (EIB) for the implementation of certain financial instruments ⁽³⁾.

2. The Court has noted both a growing delay in the entry into force of the conventions and agreements, resulting in a corresponding delay in the start of the EDFs, and the very long duration of the implementation of the latter (see **Table 1**). Although signed in June 2000, the Cotonou Agreement did not enter into force until 1 April 2003, due to the signatory States' lengthy ratification procedures.

Table 1 — Duration of the ACP-EU Conventions and Agreements and the EDFs

ACP-EU Convention or Agreement	EDFs	
	Official duration	Actual duration of implementation as at 31 December 2002
Third Lomé Convention (OJ L 86, 31.3.1986) five years as of 1 March 1985 (Article 291)	Sixth EDF five years as of 1 March 1985 (Article 194)	Not closed ⁽¹⁾ 16 years as of 24 March 1986 ⁽²⁾
Fourth Lomé Convention (OJ L 229, 17.8.1991) revised in Mauritius on 4 November 1995 (OJ L156, 29.5.1998) 10 years as of 1 March 1990 (Article 366-1)	Seventh EDF five years as of 1 March 1990 (financial protocol, Article 1) Eighth EDF five years as of 1 March 1995 (second financial protocol, Article 1)	Not closed ⁽¹⁾ 11 years as of 1 September 1991 ⁽²⁾ Not closed ⁽¹⁾ 4 years as of 1 June 1998 ⁽²⁾
ACP-EU Partnership Agreement (OJ L 317, 15.12.2000) 20 years as of 1 March 2000 (Article 95)	Ninth EDF five years as of 1 March 2000 (financial protocol, Article 1)	Implementation started on 1 April 2003 ⁽²⁾

⁽¹⁾ The ACP-EU Conventions instituting the EDFs contain a safeguard Article that states that 'any balance remaining from the Fund that has not been committed or disbursed by the end of the last year of the application (...) shall be utilised until it has been exhausted, in accordance with the same conditions as those laid down in this Convention' (Article 216 of the third Lomé Convention, Article 284(2) of the fourth Lomé Convention, Article 4 of the second financial protocol to the fourth Lomé Convention (revised).

⁽²⁾ Date of entry into force of the Convention or Agreement.

⁽¹⁾ Of which the first, the Yaoundé I Convention, dates back to 1964.

⁽²⁾ Seventy-one States under the eighth EDF, 77 under the ninth.

⁽³⁾ Venture capital and interest rebates.

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3. The financial allocation for each of the three EDFs being implemented in 2002 is as follows:

- (a) programmable aid intended for the implementation of development projects within national and regional indicative programmes (NIPs and RIPs) concluded with the ACP States;
- (b) non-programmable aid intended for specific fields of cooperation such as support for agricultural and mining products (Stabex and Sysmin) or for financial contributions such as venture capital or, under the eighth EDF, aid for debt relief;
- (c) macroeconomic budget support for the beneficiary States;
- (d) a general reserve created during the financial year 2000, including all the funds awaiting allocation.

4. The EDFs' resources are mobilised in two stages according to a procedure involving both the Commission and the ACP beneficiary States. First, acting on its sole responsibility as chief authorising officer, the Commission takes the financing decisions (primary commitments) after receiving the assent of the EDF Committee ⁽⁴⁾, which is composed of representatives of the Member States. Then, within the framework provided by the financing agreements, the Commission lays down the rules for the implementation of these decisions by the national authorising officer ⁽⁵⁾ of the country concerned. The latter concludes contracts (secondary commitments) and authorises the payments under the supervision of the Commission's delegation.

CHAPTER I — IMPLEMENTATION OF THE SIXTH, SEVENTH AND EIGHTH EDFs

Presentation of the accounts and of the analysis of the financial management

5. The information value of the accounts is still inadequate in some respects (see paragraphs 14 to 20). In its analysis of the financial management the Commission singled out from the 8 384,8 million euro in outstanding payments at the end of 2002 (see **Table 2**),

5. The Commission has done a detailed analysis of all old and/or dormant commitments and is pursuing previous years' efforts to analyse and close dormant old projects.

In most cases it was able to decide what action was needed and took the appropriate steps. There are, however, a very few cases (0,36 % of RAL) where the Commission has not yet decided what to do. They are usually old dossiers and it is difficult to get hold of the documents needed to finalise them.

⁽⁴⁾ For amounts below two million euro, the Committee's assent is not necessary.

⁽⁵⁾ In general, the national authorising officer's powers are vested in the Finance Ministers of the ACP States.

Table 2 — Cumulative utilisation of EDF resources as at 31 December 2002

	(million euro)									
	Situation at end of 2001			Budgetary implementation during the financial year 2002				Situation at end of 2002		
	Global amount	Implement- ation rate (%)	Sixth EDF	Seventh EDF	Eighth EDF (%)	Global amount	Sixth EDF	Seventh EDF	Eighth EDF (%)	Global amount
A — RESOURCES ⁽¹⁾	32 797,3					0,0	7 829,1	11 511,7	13 499,6	32 840,4
B — UTILISATION										
1. Primary commitments	28 152,8	85,8 %	2,8	126,0	1 639,6	1 768,4	7 484,7	10 928,7	11 507,8	29 921,2
— programmable aid	15 648,6		1,2	151,0	660,2	812,5	4 875,5	5 754,4	5 831,1	16 461,1
— non-programmable aid	9 324,5		-1,1	-15,6	574,4	557,7	2 511,2	3 667,4	3 703,6	9 882,2
— structural adjustment and macroeconomic support	2 726,1		0,0	-0,6	405,0	404,3	6,0	1 151,4	1 973,1	3 130,5
— on transfers from previous EDFs	453,6		2,7	-8,8	0,0	-6,1	92,0	355,5	0,0	447,5
2. Secondary commitments	22 681,3	69,2 %	33,5	328,1	1 781,3	2 142,9	7 318,9	9 985,4	7 519,9	24 824,2
— programmable aid	11 282,7		36,3	212,6	890,7	1 139,7	4 741,8	4 973,7	2 706,8	12 422,4
— non-programmable aid	8 716,9		-4,2	99,2	403,2	498,2	2 483,0	3 549,4	3 182,6	9 215,1
— structural adjustment and macroeconomic support	2 298,7		-0,7	-1,0	487,3	485,7	5,3	1 148,6	1 630,5	2 784,4
— transfers between EDFs	383,0		2,0	17,3	0,0	19,3	88,7	313,6	0,0	402,3
3. Payments	19 683,6	60,0 %	48,5	326,1	1 478,1	1 852,7	7 235,1	9 232,4	5 068,9	21 536,4
— programmable aid	9 739,4		46,3	239,2	650,0	935,5	4 669,0	4 488,1	1 517,8	10 674,9
— non-programmable aid	7 512,6		1,3	56,5	467,7	525,5	2 475,1	3 315,9	2 247,1	8 038,1
— structural adjustment and macroeconomic support	2 088,5		-0,1	8,5	360,4	368,8	5,3	1 148,0	1 304,0	2 457,4
— transfers between EDFs	343,1		1,0	21,9	0,0	22,9	85,7	280,4	0,0	366,0
C — Outstanding payments (B1-B3)	8 469,2	25,8 %					249,6	1 696,3	6 438,9	8 384,8
D — Available balance (A-B1)	4 644,5	14,2 %					344,4	583,0	1 991,8	2 919,2

⁽¹⁾ Initial endowment of the sixth, seventh and eighth EDFs (of which 60 million euro from the special EIB contribution), interest, sundry resources and transfers from previous EDFs.

⁽²⁾ As a percentage of resources.

⁽³⁾ Including 732,9 million euro in primary commitments, 347,4 million euro in secondary commitments and 97,7 million euro in payments for advance implementation of the Cotonou Agreement.

Source: Court of Auditors, based on the EDF financial statements of 31 December 2002.

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1 205 million euro which it described as 'problematic' commitments. These included, firstly, 615,4 million euro in primary commitments dating from before 1997 and not yet paid, and in respect of which the Commission has not yet provided an explanation. The rest was made up of 589,6 million euro in dormant commitments, i.e. where there had been no movement of funds during the previous 18 months. This included 39 million euro, i.e. 6,6 % of total dormant commitments, which the Commission identified as having no further justification and requiring closure. The audit which the Court carried out in six countries showed that the percentage was usually much higher. The Commission also identified balances of 30,2 million euro of unknown status. The Commission was not able to carry out the analyses and actions necessary for quantifying the closures before the 2002 accounts were presented.

Implementation rate

6. Compared to the previous year, the implementation rate of the EDFs in 2002 (see **Graph 1**) was characterised by:

- (a) an accelerated rate of adoption of new financing decisions giving rise to primary commitments, due in particular to the advance implementation of the Cotonou Agreement (see paragraphs 8 to 10);
- (b) a slight slowdown in secondary commitments and payments, which can be explained, in part, by the persistence of problems in a considerable number of ACP States.

7. During 2002 the three current EDFs (sixth, seventh and eighth) entered their 17th, 12th and fifth years of implementation. At the end of the fifth year of implementation, the eighth EDF had been committed at a rate of 85 % but only disbursed at a rate of 38 %. Excluding the debt reduction operations for heavily indebted poor countries, implementation of the EDFs is still slow.

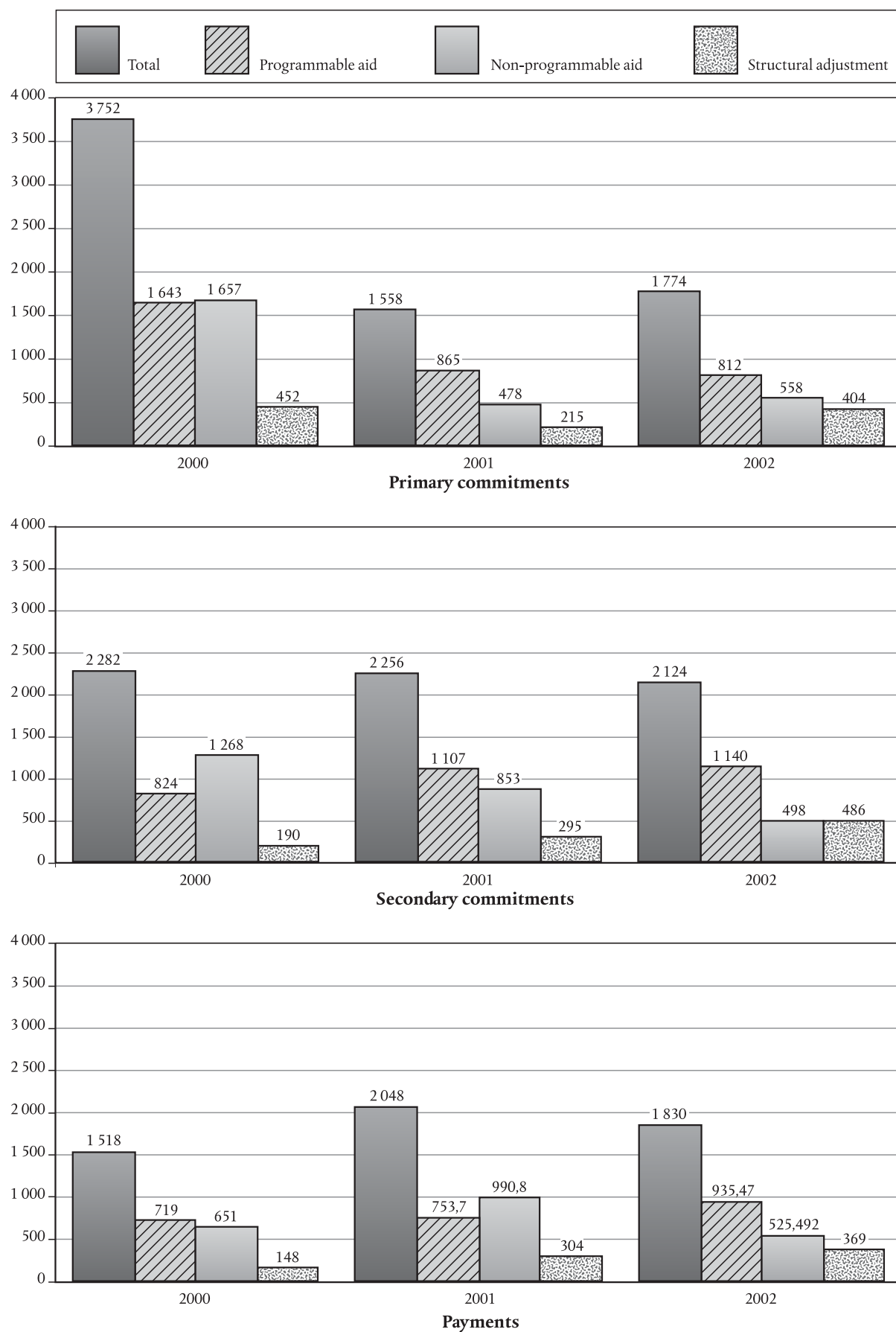
THE COMMISSION'S REPLIES

7. A specific feature of the EDF has a big impact on the duration of a Fund and distinguishes it from the general budget, namely the decommitment of funds, which means that resources can be released for new projects.

The transfer of the uncommitted balances of old Funds to the ninth EDF should make for speedier closure.

The concept of 'implementation rate' needs to be placed in its proper context. The implementation profile of EDF projects can be considered comparable to the profiles of similar projects of other donors. Note that some projects, lengthy rural development programmes, for instance, can take seven to nine years to complete. This performance period starts from the date of commitment, which may be made at any time in the life of a Fund.

After five years only 75 % of the seventh EDF had been committed; so the implementation has improved a great deal.

Graph 1 — Commitments and payments

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Transition between the eighth and ninth EDFs

8. Transitional measures ⁽⁶⁾ were adopted by the Council in 2000 and by the Commission ⁽⁷⁾ in 2001 to allow partial implementation of the Cotonou Agreement, in advance, pending its entry into force. These measures were renewed in 2002, and it became possible for the resources of the eighth EDF to be committed in accordance within the Cotonou programming.

9. In 2002, the programming for the ninth EDF had been completed, in the main, but the Agreement had still not entered into force ⁽⁸⁾. The Commission initiated financing decisions using the resources of the eighth EDF in order to avoid any interruption of budgetary aid for those ACP States which are able to absorb it. From the eighth EDF's reserves of 1 200 million euro, 732,9 million euro was committed in this way. Charging the transactions in question to the eighth EDF is liable to have a detrimental effect, eventually, on the clarity of the EDF accounts, even though the management analysis clearly states that this was done in connection with the implementation of the Cotonou Agreement, inasmuch as any uninformed reader of these accounts will incline to view transactions charged against the eighth EDF as related to the implementation of the Lomé Convention.

10. Generally speaking, the complicated situation arising from the implementation of the Cotonou Agreement in advance (because the agreement has not yet entered into force), using allocations belonging to the eighth EDF, is an argument in favour of perhaps seeking a different legal framework. This alternative legal framework should try to avoid the transitional problems associated with the setting-up of new EDFs and allow uninterrupted implementation of the agreements reached with ACP States. One solution might be to include the EDFs in the budget.

9 and 10. *Commitments made under the transitional measures complied with Cotonou programming but came under Lomé rules. In this spirit, in its EDF revenue and expenditure account, the Commission indicated: 'To provide transparency in the presentation of the 2002 accounts, the various tables set out below specifically indicate the part of each EDF used on the basis of the programming provided for in the Lomé Conventions and the part used on the basis of the programming provided for in the Cotonou Agreement. Entry in the accounts and the presentation of accounts in connection with the Cotonou Agreement is based on Article 3(2) of Annex IV to the ACP-EC Partnership Agreement as regards states. This article gives the ACP States an allocation A to cover macroeconomic support and support for programmes and projects and an allocation B to cover unforeseen needs such as emergency assistance, debt relief initiatives and support to mitigate adverse effects of instability in export earnings.'*

Future revenue and expenditure accounts will continue to present eighth EDF resources implemented on the basis of Cotonou programming.

10. *The Commission has undertaken to submit a communication on the advantages and drawbacks of EDF budgeting in the course of the year.*

⁽⁶⁾ Decision No 1/2000 of the ACP-EC Council of 27 July 2000.

⁽⁷⁾ Commission Decision of 16 March 2001, adopted by written procedure E/410/2001.

⁽⁸⁾ Entry into force on 1 April 2003.

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Budgetary support

11. Budgetary support in the form of macroeconomic aid is an instrument that is used more and more frequently by the Communities. It accounted for 23 %, i.e. 404,3 million euro ⁽⁹⁾, of the decisions taken in 2002 (see **Table 2**), compared with 14 %, i.e. 215,5 million euro, in 2001 and 12 % in 2000. In 2002, it also accounted for 24 % of payments under the eighth EDF and 20 % of those under the sixth, seventh and eighth EDFs taken together.

12. With regard to implementation of direct non-targeted budgetary support, which began in 2002, the Commission ⁽¹⁰⁾ pointed out that the funds would, in future, be transferred directly to a beneficiary country account which does not require the Commission's signature. Sound use of EDF resources will then depend on the quality of the public finance management and control mechanisms in the ACP States concerned. It is the Commission's responsibility to take such measures as will allow it to make sure this quality exists.

12. To ensure the quality of public finance management and auditing in the ACP States concerned, the Commission will set up a mechanism built on the following:

(a) Diagnostics

In liaison with other donors, above all the World Bank, the Commission is participating more systematically in general public expenditure reviews. In order to refine and top up the diagnoses emerging from such reviews, the Commission is increasingly moving towards audits based on 'compliance tests' that are designed to evaluate the materiality of expenditure and its compliance with the relevant rules and procedures. Further work is under way on these tests so that standard terms of reference can be developed for wider use. In the medium term the Commission's objective, and that of the World Bank and the International Monetary Fund, is to use a complete analytical framework for public finances common to all the donors. The development of such a framework is in hand.

(b) Organisation of regular monitoring

From September 2003 the delegations in the ACP States will report twice a year on the monitoring of public finance management using a standard format developed at headquarters. This monitoring will also embrace current public finance action plans and their implementation.

⁽⁹⁾ See paragraph 16.

⁽¹⁰⁾ Paragraph 1.1.5 of the *Guide méthodologique pour la programmation et la mise en œuvre des appuis budgétaires dans les pays tiers* (Methodological guide to programming and implementing budgetary support in third countries), March 2002, EuropeAid Cooperation Office/Directorate-General for Development/Directorate-General for External Relations.

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(c) *Development of performance indicators*

The Commission is working with the World Bank to look into the development of performance indicators for public finance management. The aim of this work is to beef up the relevant conditions in financing proposals by going beyond the traditional indicators (implementation rates in particular) and so making budgetary support a more effective lever for reform of public finance management.

Conclusion

13. The Court notes that:

- (a) as in the case of the previous financial year, apart from the use of instruments allowing rapid disbursement, the reforms undertaken by the Commission to improve programming, simplify public tendering procedures, decentralise management of aid and support strengthening of the institutions of the ACP States will only become fully effective in the mid-term;
- (b) advance implementation of the Cotonou Agreement using the resources of the eighth EDF detracts, to an excessive degree, from the clarity of the information relating to implementation of the EDFs;
- (c) in future, the quality of public finance management in the countries benefiting from budgetary support will be a crucial element in the implementation of the EDFs;
- (d) the Commission must take steps to speed up the identification and closure of dormant commitments, and to analyse the justification for commitments which date from before 1997 and have still not resulted in payments.

13.

- (a) *The Commission has achieved a significant increase in both commitments and payments. Several reforms have been undertaken (notably the simplification of public procurement procedures).*
- (b) *To get a full picture of the implementation of Cotonou programming it will be sufficient to include the relevant eighth EDF resources. The Commission will do this when presenting future revenue and expenditure accounts, which will include the ninth EDF.*
- (d) *At the beginning of the year the Commission held seminars with all the delegations to make a detailed analysis of the whole commitments portfolio and identified all problematic commitments (dormant, old etc.). Following this analysis, it was decided what action to take to close projects that needed closing.*

CHAPTER II — STATEMENT OF ASSURANCE CONCERNING THE EDFs

Statement of Assurance concerning the sixth, seventh and eighth European Development Funds (EDFs) for the financial year 2002

I. The European Court of Auditors (the Court) has examined the accounts of the sixth, seventh and eighth EDFs and the underlying transactions for the financial year ending 31 December 2002. These accounts, which include the financial statements and the revenue and expenditure accounts ⁽¹¹⁾, as well as the analysis of financial management, which should accompany them, were submitted belatedly by the Commission in Communications COM(2003) 475 final of 6 August 2003 and COM(2003) 491 final of 7 August 2003 to the European Parliament, to the Council and to the Court ⁽¹²⁾. Pursuant to the Financial Regulations, the Court is required to provide the European Parliament and the Council with a Statement of Assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions. ⁽¹³⁾

II. The Court carried out the audit in accordance with its auditing policies and standards. These latter are based on generally accepted international auditing standards, adjusted to suit the context of the EDFs. The audit included an assessment of the accounting principles applied and of the presentation of the accounts as well as an examination of the supporting information on the amounts and information listed in the accounts. The Court has analysed and tested the supervisory systems and controls of the Commission to assess the extent to which they contribute towards ensuring the legality and regularity of the underlying transactions. The Court also examined a number of underlying transactions. These controls have been carried out at the Commission in Brussels and on the spot in six selected ACP States. Thus, the Court obtained a reasonable basis to support the opinions expressed below.

III. *Reliability of the accounts*

Except for the effects of the problems described in paragraphs (a) to (e) below, the Court is of the opinion that the financial statements at 31 December 2002 and the revenue and expenditure accounts for the financial year 2002 reliably reflect the revenue and expenditure relating to the sixth, seventh and eighth EDFs for the financial year and their financial situation at the end of the year:

- (a) transfers of funds amounting to 184,5 million euro are recorded as payments, overstating the level of implementation of aid (see paragraph 15);
- (b) budgetary aid committed (about 550 million euro in primary commitments in 2002), paid and remaining to be paid, is difficult to identify in the accounts as it is drawn from several financial instruments (see paragraph 16);
- (c) the level of aid committed but not yet paid (8 385 million euro) is not reliable as an indicator of future payments, as the accounts frequently continue to record commitments when no further payments will be made (see paragraphs 5 and 17);
- (d) the accounts do not identify amounts due for recovery (see paragraph 18);
- (e) the amount of outstanding advances reported in the accounts (1 070 million euro) is not reliable (see paragraph 19).

⁽¹¹⁾ As defined in Articles 66 and 67 of the Financial Regulation governing the eighth EDF, applied by analogy to the sixth and seventh EDFs.

⁽¹²⁾ Article 68 of the Financial Regulation mentioned above requires these documents to be made available by 1 May.

⁽¹³⁾ Article 73 of the Financial Regulation mentioned above.

IV. *Legality and regularity of the underlying transactions*

Analysis of the supervisory systems and controls

The Court's examination of the Commission's supervisory systems and controls relating to the management of the EDFs showed that, because of the following problems, it cannot fully rely on the Commission's supervisory systems and controls as a basis for its assurance:

- (a) weaknesses relating to the terms of reference, reporting and follow-up to audit reports carried out on EDF operations on behalf of the Commission or national authorising officers have not been sufficiently addressed (see paragraph 27);
- (b) key controls on invoices in ACP States concerning the reality of works, supplies or services provided and compliance with contracts are not always reliably carried out (see paragraphs 28 to 30).

Audit of transactions

The audit of transactions was based on the documentation available at the Commission in Brussels and, where appropriate, from delegations in ACP States, and also from on-the-spot audits carried out in six ACP States to assess the reality of works, supplies and services underlying the documentation. The audit identified the following problems:

- (a) in the case of primary commitments, the period of time allowed in the Lomé Convention for the adoption of financing decisions was overrun (see paragraph 34);
- (b) in the case of secondary commitments the interest rates on some loans were irregular (see paragraph 35);
- (c) in the case of payments, some payments were made for works, supplies or services which, to a minor extent, were not fully provided or for items not foreseen in the contract. A limited number of cases were also identified where advances were paid without the required justification, the sums deducted as guarantees were repaid before the contractor had met all required conditions and where agreed deductions were not made as guarantees (see paragraphs 36 and 37).

Conclusion

The audit conclusion on the legality and regularity of the underlying transactions is based partly on the analysis of the supervisory systems and controls and complemented by the audit of a number of transactions. On that basis, the Court is of the opinion that the revenue entered in the accounts, the amounts allocated to the EDFs, the commitments and the payments of the financial year are, taken as a whole, legal and regular. However, in the absence of monitoring information and of performance indicators on the evolution of the quality of public finance management in ACP States, the Court cannot give an opinion on the use of direct budgetary aid by the ACP States, which is spent and controlled according to national, rather than EDF, control procedures.

8 and 9 October 2003

Juan Manuel FABRA VALLÉS
President

European Court of Auditors
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*Information in support of the Statement of Assurance***Reliability of the accounts**

14. The observations mentioned in paragraph III of the Statement of Assurance are based on the following findings.

Overstatement of expenditure by recording transfers as payments in the revenue and expenditure account ⁽¹⁴⁾

15. The level of expenditure for the year in the revenue and expenditure account (Article 67 of the Financial Regulation of the eighth EDF) ⁽¹⁴⁾ is overstated due to the recording of transfers of funds as payments. In the context of the heavily indebted poor countries (HIPC) initiative, 180 million euro was transferred to the account of the International Development Agency managed by the World Bank. A further 4,5 million euro was transferred to the World Bank in the context of the fight against river blindness in West Africa. Although these were transfers of funds with payment to be made to beneficiaries following procedures involving the Commission's approval, they were validated and settled using payment orders and recorded in the accounts as payments.

Extent of implementation of direct budgetary aid not disclosed

16. Budgetary aid is difficult to identify in the accounts as it is drawn from several financial instruments. The financial statements or the analysis of financial management should give a precise indication of the volume of this aid (about 550 million euro in primary commitments in 2002 to compare with the 404,3 million euro shown in the accounts under structural adjustment and macroeconomic support), including sums still to be called up at the end of the financial year.

15. The Commission has set up a working party on accounting policy and standards with the job of looking into ways of entering this type of operation in the accounts in future. However, in the interests of greater clarity and to reflect the World Bank's role as trustee, the advanced payments to the HIPC Trust Fund appear for 2002 as assets in the balance sheet of the eighth EDF. Financial management analysis (management accounts) reports these advance payments as expenditure and in Annex 4.2.3 there is an overview of advances awaiting clearance following the Commission's approval.

16. The ninth EDF accounting plan has a code to identify all budgetary support operations.

The management accounts give this information for the eighth EDF resources used in Cotonou programming.

⁽¹⁴⁾ Called 'management account' in the English version of the annual accounts established by the Commission.

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Overstatement of commitments

17. Supervisory systems and controls do not ensure that contracts and projects are closed promptly. The level of commitments remaining to be paid (8 385 million euro) is therefore not reliable as an indicator of future payments because the accounts frequently continue to record the outstanding commitments that are unlikely to lead to further payments.

17. This refers to the overall level of the 'RAL — *reste à liquider*'. The responsible Commission departments have set up (and continue to do so) several reminder mechanisms to improve performance of decommitments and closures. The issue raised by the Court is due to the fact that the agreement of the national/regional authorising officers is also required to proceed to such decommitments and closures. The Commission makes strong representations to these authorities in order to obtain their agreement. Furthermore, many contracts for which no payments have been made for some time cannot be closed because of ongoing disputes or other problems such as the absence of a final report. A policy of partial decommitments has been adopted so as to give a more realistic picture.

Amounts to be recovered not identified

18. The accounts do not record most items due for recovery, such as ineligible expenditure to be reimbursed or advances not used, because debt estimates are not systematically issued as soon as such cases are identified.

18. Indeed, the balance sheets of the sixth, seventh, and eighth EDFs do not identify all items for recovery. The underlying accounts, however, contain accruals for the amounts for which recovery orders were issued. Debts received as paid entries are made to account for the revenue.

Outstanding advances not reliably reported

19. Advances paid in accordance with the terms of contracts are treated in the accounts as expenditure in accordance with the Financial Regulation. The procedures provide for advances to be recorded separately to allow them to be cleared and for outstanding advances to be reported in the annual accounts (1 070 million euro at the end of 2002). However, due to occasional coding errors, advances are not always recorded as such in the accounting system.

Stabex and structural adjustment counterpart funds

20. The annual accounts do not contain any information concerning the use of Stabex and structural adjustment counterpart funds once they have been sent to the national administrations of the beneficiary countries. The Commission is partially responsible for the use of those funds, and has therefore required them to be put on bank accounts with double signatures including one from the Commission. Nevertheless, it has not inserted relevant information regarding the establishment of Stabex and counterpart funds, their use, and the amount remaining available in the ACP States for further payments at the end of the financial year, in the annual accounts.

20. Stabex operations were entered in the accounts in accordance with the rules in force.

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Legality and regularity of the underlying transactions

21. The observations mentioned in paragraph IV of the Statement of Assurance are based on an analysis of the EDF supervisory systems and controls as well as the examination of a sample of underlying transactions. The main conclusions are given below.

Analysis of supervisory systems and controls

Declaration by the Director-General of the EuropeAid Cooperation Office (AIDCO)

22. Although the charter for authorising officers by delegation does not yet extend to EDF transactions, the Court notes with satisfaction that, as was the case in 2001, the annual activity report and declaration of the AIDCO authorising officer by delegation also cover the EDF.

23. In the conclusion to the AIDCO annual activity report for 2002, the EDF authorising officer by delegation declared, without making any reservations, that the control procedures put in place provided the necessary guarantees in respect of the legality and regularity of the underlying transactions.

23. Based on the various instruments and tools available or to be developed for that purpose, the formulation of reservations in the declaration of the Director-General relies on his best judgment. The definition of a Commission-wide concept of 'materiality', applicable to the deficiencies detected, is also part of the framework within which the Director-General formulates his judgment on potential reservations.

At the time of signing the declaration, the Director-General considered that the information in his possession was sufficient to enable him to have reasonable assurance as to the legality and regularity of transactions effected by the EuropeAid Cooperation Office in 2002, including the actual implementation of projects and programmes.

24. However, from the viewpoint of methodology, the Court considers that the EDF authorising officer by delegation does not yet have all the requisite information concerning the reality, legality and regularity of the on-the-spot transactions as regards the following information:

24.

- (a) the management of funds by ACP States has not yet been subjected to risk analysis and formalised evaluation, particularly in the context of the use of budgetary aid ⁽¹⁵⁾. AIDCO is not yet able to determine the extent to which internal control standard No 17 on supervision has actually been implemented as regards the transactions that are managed by the delegations and national authorising officers;

- (a) The Court's comment that 'the EuropeAid Cooperation Office is not yet able to assess the extent to which the delegations and the national authorising officers have actually implemented internal control standard No 17 on supervision' should be seen in context. Standard No 17 is a control standard internal to the Commission, and as such does not apply to NAOs.

With regard to the assessment of risks associated with external aid and in particular budget support (Action Plan, Action 2), note that EuropeAid completed an initial analysis in December 2002. The exercise will be completed jointly with the other members of the Relex family in the course of the year. The main

⁽¹⁵⁾ Despite the undertakings made by the Commission (action plan, action 2).

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- (b) the coverage and findings of external audits are neither quantified nor analysed. These external audits are still not included within the scope of internal control standard No 21 on audit reports;

- (c) the amounts to be recovered are not entered in the accounts and are not always identified. There is therefore no guarantee that advances are correctly cleared.

25. To create a sound basis for an evaluation of the legality and regularity of the underlying transactions, AIDCO must specifically focus on the reality of the implementation of these transactions. The declaration effectively concentrates on AIDCO's operation and administrative organisation and does not address management-sharing with the ACP States, which is where most of these transactions are to be found.

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findings will be communicated by the Commission to other institutions.

- (b) *Pursuing the efforts already made in 2002 to reinforce the audit approach — adapting it to a changing environment and enhancing its effectiveness as one component of the overall control system — measures are being taken to ensure that audits carried out in 2003 broaden the information base on which the Director-General will give reasonable assurance next year. The selection of these audits and the country/project breakdown took account of risk elements and the volume of transactions in 2002 as a proportion of the total. Although standard No 21 does not refer to external audits, EuropeAid integrates these audits within the scope of this standard and considers them as part of the normal activities realised in the context of aid implementation.*

- (c) *The entry of amounts to be recovered in the accounts complies with the prescribed accounting rules. It is based on a thorough analysis of the advances to be cleared.*

None the less, considering the sharing of responsibilities between the authorising officer (EuropeAid Cooperation Office) and the accountant (Directorate-General for the Budget), and in order to improve the management of recoveries in the future, a joint action plan, to be implemented by both departments in 2003, was agreed in the course of drawing up the 2002 Annual Activity Report (AAR).

25. *The Community's development activities on the ground are constantly monitored and supervised by the delegations and headquarters. This is done through project visits, implementation reports, mid-term reviews, audits, and financial and contractual information.*

All this provides the authorising officer by delegation with the necessary information on which to base his judgment.

Risk management, given the variety of risks, cannot rely on this or that element in the information/control system, it depends on the right balance between all of them.

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26. In addition, the Court recommends that the Commission consider any solution that allows the EDF to be included in the accounting tools modernisation programme undertaken by the Commission. In the same context, it is also recommended that the respective responsibilities of the Directorate-General for the Budget and the EuropeAid Cooperation Office be clarified as regards such a modernisation programme for the EDF.

Audits as part of supervisory systems and controls

27. Efforts made by the Commission to improve the financial audit of operations have resulted in the preparation of an audit programme for the financial year 2003. However, the central services of the Commission did not base this programme on an inventory and risk analysis resulting from the external audits already carried out in 2002. The weaknesses relating to the terms of reference, audit reports, and follow-up of audit results already noted by the Court⁽¹⁶⁾ have not yet been sufficiently addressed in practice. The computerised system CRIS-Audit envisaged by the Commission to monitor audit activities is not yet operational and is unlikely to address these needs in the short term.

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26. The Commission agrees with the Court's recommendation that it is worth examining the possible scenarios for including the EDF accounts in the future Commission accounting system. To this end it has created a working group involving the relevant departments. The priority the Commission attaches to this issue is reflected both in the Commission's synthesis of the 2002 AAR and in the progress report on the modernisation of the accounting system of the European Commission presented to the Commission on 8 July 2003.

While it is the responsibility of the EDF accountant (Directorate-General for the Budget) to establish the new 'accounting plan' and the 'new accounting standards' as required by the new Financial Regulation from January 2005, the EuropeAid Cooperation Office and the Directorate-General for the Budget will work closely together to implement the required changes.

27. The 2003 audit plan provides for a number of audits under the direct responsibility of headquarters. The selection of audits and the country/project breakdown took account of risk factors and the volume of transactions in 2002 as a share of the total. Furthermore, there is provision for specific action in the case of structural adjustment projects to reflect the specific risk factors inherent in this type of programme.

The Commission has taken steps to improve the quality of devolved audits, namely:

- preparation of a methodological guide for use by the central departments and the delegations,
- training for headquarters and delegation staff,
- drafting of standard terms of reference.

The Commission fully shares the Court's opinion concerning the need for a computerised system to give an overall picture of audits carried out or supervised by the delegations.

A pilot version of CRIS-Audit, which has already been set up, will be field tested and should be fully operational soon afterwards.

⁽¹⁶⁾ Annual report on the European Development Funds for the financial year 2001, paragraphs 24 to 30.

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Supervisory systems and controls at the level of ACP States

28. The EDF supervisory systems and controls are based on a partnership between ACP States and the EU Commission. Regarding contracting and making payments, the central actors in this partnership are the national authorising officer and the head of delegation who rely on controls carried out by a range of other actors including ACP government ministries, programme management units, technical assistants and outside experts such as consultant engineers and private sector auditors.

29. The Court carried out on-the-spot audits in six ACP States (Ghana, Madagascar, Malawi, Uganda, Zambia and Zimbabwe) to examine the EDF supervisory systems and controls in these countries. The design of the supervisory systems and controls for contracting and making payments in the ACP States visited was found on the whole to be well conceived. The supervisory systems and controls for contracting were also found generally to be operating well in practice with rare examples of non-compliance with contracting regulations.

30. However, regarding the operation in practice of supervisory systems and controls for making payments, the national authorising officer, who is required by the Lomé Convention to authorise and clear EDF expenditure, did not always ensure that key controls on invoices were reliably carried out by himself or by the other actors (government ministries, programme management units, technical assistants and outside experts such as consultant engineers and private sector auditors). As a result, key controls were occasionally not carried out, especially as regards the reality of works, supplies or services provided and concerning compliance with contract (such as price revision, adequacy of guarantees, application of correct exchange rates, proportion of contract to be paid in euro rather than local currency). The head of delegation, who is required to endorse the payment authorisations, and who may therefore compensate for the weakness of the national authorising officer, also occasionally failed to ensure that these key controls were carried out reliably.

30. *The Commission believes that the set of control systems for the EDF ensures the legality and regularity of the underlying operations and enables it to intervene to remedy the shortcomings of the local authorities.*

In this respect measures are being discussed with beneficiary countries in order to further strengthen the national authorising officer (NAO's) capacity to supervise contractual and payment procedures in particular.

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Conclusion regarding supervisory systems and controls

31. Because of the weaknesses identified above, relating to the terms of reference, reporting and follow-up of audit reports, and to key controls on invoices in six ACP States concerning the reality of works, supplies or services provided and compliance with contract, the Court cannot fully rely on the supervisory systems and controls as a basis for its assurance.

31. *There are various systems in place to comprehensively monitor the materiality of works, supplies and services provided, including audit activities.*

Measures are being taken to ensure that audits carried out in 2003 broaden the information on which reasonable assurance will be based next year.

Audit of transactions

32. A sample of 44 payments, including their associated primary and secondary commitments, was examined on the basis of documentation available at the Commission in Brussels and, where appropriate, from delegations in ACP States. In addition, a further 44 payments, including their associated primary and secondary commitments, were examined in the context of on-the-spot audits in six ACP States (Ghana, Madagascar, Malawi, Uganda, Zambia and Zimbabwe) to verify the reality of works, supplies and services underlying the documentation.

33. The Court draws attention to the fact that in the case of direct budgetary aid the legal framework of the EDFs affords many opportunities for exemptions. Thus the scope of checks in respect of the legality and regularity of the underlying transactions is limited to ensuring that a proper assessment of conditions is performed and that any derogation is accepted by the appropriate authority, which is generally the case. Furthermore, the criteria used to release the funds essentially consist of macroeconomic indicators but provide only partial information about public finance management. No separate, clear analysis and evaluation of the quality of public finance management is produced.

33. *Each financing proposal now has to include an Annex describing the state of public finance management. The conditions laid down in the proposals always include public finances.*

The work on performance indicators will shortly reinforce the conditionality of aid when it comes to public finance management.

Primary commitments

34. The financing decisions taken by the Commission must, according to Article 291 of the Lomé Convention, be followed by financing agreements, which must be signed with the ACP States concerned within 60 days. This period is often exceeded, constituting a procedural anomaly that undermines the legality of the operations underlying the accounts.

34. *Most of the delays mentioned by the Court are the result of delays on the part of national authorising officers and the fact that financing agreements often, sometimes at the insistence of Member States, lay down conditions to be met by the ACP State as a condition for signing the financing agreement.*

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Secondary commitments

35. Cases remain where the interest rates on loans by the EIB to ACP States or financial intermediaries were higher than the rate provided for risk capital in Article 234(1)(c) of the Lomé Convention, which states that, in the case of loans to ACP States or to intermediaries, 'the interest rate shall, in any case, be less than 3 %'.

35. *The Commission believes that it applies the rules in force correctly, taking into account the EIB's opinion.*

Payments

36. The errors relating to the substance of payments concerned:

- (a) works, supplies or services which, to a minor extent, were not fully provided (for example books missing from a delivery);
- (b) reimbursements for items not foreseen in the contract (for example concerning price revision);
- (c) advances made without the required justification;
- (d) sums deducted by way of guarantee were repaid before the contractor had fulfilled all required conditions (for example production of a final report);
- (e) failure to deduct amounts agreed as a guarantee (for example a 10 % retention sum).

36. *The Commission believes that it has given the Court all the information necessary to explain these apparent anomalies. The example referred to by the Court (books missing from delivery) was an isolated incident, duly explained by the Commission delegation. So the Court's remarks concern a special case.*

37. These errors are marginal. They are accompanied by a series of more common errors relating to the implementation of procedures whose possible impact on the substance of payments is difficult to assess. Taken together they indicate the areas where internal control of the EDF needs to be strengthened as a matter of priority.

37. *The Court acknowledges that these anomalies are marginal in the context of the whole. The Commission will take due note of the Court's remarks concerning the strengthening of internal controls.*

Changes in the performance of supervisory systems and controls

38. The observations above have all been incorporated into a table of indicators which is to be used to evaluate changes in the performance of the supervisory systems and controls (see **Table 3**).

Table 3 — EDF DAS 2002: Indicators resulting from audit work

1. CHARACTERISTICS OF ERRORS AFFECTING LEGALITY AND REGULARITY				
		2001		2002
		Frequency (a)	Impact (b)	
COMMITMENTS				
1.1	Primary commitments not signed within 60 days of financing decision	frequent	high	
1.2	Contracts signed after deadline for start up in financing agreement has been missed and so the primary commitment is no longer valid	rare	low	medium
1.3	Non-compliance with maximum interest rates for risk capital loans to ACP states	occasional	low	low
PAYMENTS				
1.4	Payments without legal basis or supporting documentation	occasional	low	low
1.5	Discrepancy between payment and works, supplies or services actually carried out	not available (no site visits)	not available (no site visits)	low
ACCOUNTANCY				
1.6	Transfers recorded as payments	frequent	high	medium
2. EVOLUTION OF KEY OBSERVATIONS				
2.1	Management of the Siblex treasury	Observations Lack of control	Reply of Commission Future correspondence with the Bank regarding the purchase and sale of securities will not be deleted	2002 Observations Trading has greatly reduced, but accounts do not clearly show gains and losses from trading or the year end market value of shares
2.2	Implementation of structural adjustment support	Legal framework does not allow strict check on legality and regularity because conditionality is not strictly enforced	Derogations from conditions are provided for in the legal framework of the EDFs	Due to lack of information on the quality of public financial management in ACP States the Commission does not give an opinion on the use of direct budgetary aid
2.3	Risk capital payments administered by EIB	Interest rates higher than provided for in Lomé Convention	Believes it acted correctly though will verify correct application of Lomé in consultation with the EIB	Interest rates higher than provided for in Lomé Convention
2.4	Price revision mechanisms	Price revisions not provided for in contracts	The Commission will remind all delegations in order to prevent a recurrence of this problem	Price revisions continue to be paid without a clear contractual basis
2.5	True level of primary commitments	Overstated in the accounts because of failure to decommit	Commission will continue its effort to improve monitoring procedures	Not accurately reflected in accounts because of lack of prompt action to close commitments
3. SUPERVISORY SYSTEMS AND CONTROLS				
REVIEW OF FINANCIAL AUDITS				
3.1	Terms of reference do not clearly define the nature of ineligible expenditure	Frequency (a) frequent		Frequency (a) frequent
3.2	The audit report does not clearly quantify expenditure audited and the amount of eligible and ineligible expenditure	frequent		frequent
3.3	Lack of recovery action regarding ineligible expenditure identified by external auditors	frequent		frequent
INTERNAL CONTROL SYSTEMS IN BRUSSELS				
3.4	Reality of level of implementation of a selection of internal control standards relevant to underlying operations	Rating of supervisory systems and controls (c) not available		
INTERNAL CONTROL SYSTEMS IN 6 ACP COUNTRIES (1)				
3.5	Overall assessment of tenders	not available		B
3.6	Overall assessment of payments	not available		B
3.7	Overall assessment of audits	not available		B
3.8	Overall assessment of recoveries	not available		C
3.9	Overall assessment of accounting	not available		B
3.10	Overall assessment of all countries visited	not available		B
<p>Key to indicators</p> <p>(a) Frequency (occurrence)</p> <p>rate</p> <p>occasional</p> <p>frequent</p> <p>low</p> <p>high</p> <p>(b) Impact (amounts concerned)</p> <p>medium</p> <p>high</p> <p>(c) Rating of supervisory systems and controls</p> <p>A. Works well, few or minor improvements required</p> <p>B. Works, but improvements necessary</p> <p>C. Does not work as intended</p> <p>(1) Ghana, Madagascar, Malawi, Uganda, Zambia, Zimbabwe</p> <p>Source: Court of Auditors.</p>				

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CHAPTER III — FOLLOW-UP TO PREVIOUS OBSERVATIONS

*Participation in EDF control by ACP States' supreme audit institutions***Summary of previous observations**

39. The Court of Auditors has recommended on several occasions ⁽¹⁷⁾ that the ACP States' supreme audit institutions should be involved in audits of EDF-funded operations.

40. In the discharges for financial years 1999 and 2001 ⁽¹⁸⁾, Parliament and the Council followed up these Court recommendations by stressing how important the support and creation of strong, effective and independent supreme audit institutions can be towards improving the quality of the management of public finances in the recipient countries.

40. The Commission recently sent the Court a list of specific projects to improve public finance management in ACP states in receipt of EDF aid. A number of these projects make specific provision for improved internal audits or direct support for audit bodies.

The Commission shares the Court's concern about the need for further efforts to improve matters, which could take various forms: involving national audit institutions in monitoring and auditing EDF financial aid operations, setting-up of a mechanism for appeals to appropriate national audit authorities within projects to assist the NAO, and specific capacity-building projects for audit institutions as part of programmes to improve public finance management. These recommendations will be taken on board in ninth EDF projects to promote good governance.

Development of the situation

41. The Court examined the development of the situation as regards ACP States' national control and audit structures from the following main aspects:

- (a) direct or indirect participation by these structures in the control of European Union funded operations;
- (b) the measures undertaken by the Commission to strengthen them at institutional level in the broadest sense.

41. The Commission recognises the imperative need to involve national audit structures more fully in the work of analysing and evaluating the use of public funds from both budgetary and non-budgetary sources. It has started to involve them in the joint (donor/government) public finance reviews and its own evaluations and audits. It also promotes their role indirectly, by entering requirements in financing agreements that public accounts and budget acts be submitted to them.

⁽¹⁷⁾ In particular in the Annual Reports on the activities of the sixth, seventh and eighth EDFs concerning the financial years 1999 (paragraphs 46 and 47) and 2001 (paragraphs 46 and 47).

⁽¹⁸⁾ Paragraphs 15 to 17 of the Resolution on the discharge of the sixth, seventh and eighth EDFs for the financial year 1999; paragraphs 21 to 24 of the proposal for a resolution on the discharge of the sixth, seventh and eighth EDFs for the financial year 2001.

Institutional support for these structures is a new field for the Commission, and it is both complex (these structures possess inadequate material and human resources) and politically sensitive (the mandate of these structures can be restricted by the government, which may be less than wholehearted in seeing them strengthened). The Commission deals with this by adopting a gradualist approach and is piloting a few institutional support projects (for example, ways of strengthening

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the institutions of superior control of Senegal, Chad and Madagascar are under study). The lessons of this will be used to draw up a more general structured plan for such support.

42. The information presented by the Commission does not show any increase in the efforts made in favour of the supreme national audit institutions. The projects initiated previously in around 10 countries are continuing, but no new aid programme was introduced in 2002. In Zambia and Malawi, the supreme audit institutions helped to design and oversee measures to reinforce internal control. The Mauritanian SAI participated in the audit of the implementation of Community financing. The involvement of the supreme audit institutions in this area thus remains limited.

43. The Court regrets the absence of a clear structured approach to strengthening the national control and audit institutions on the part of the Commission. These institutions could play a significant role in improving the quality of the supervisory systems and controls for public finance in their respective ACP States, thereby improving the control of Community expenditure.

Management of the Centre for the Development of Enterprise (CDE)

Summary of previous observations

44. The Court has commented on several occasions ⁽¹⁹⁾ on the Commission's administration, management and control of the financial and administrative management of the CDI, which later became the CDE ⁽²⁰⁾.

⁽¹⁹⁾ In particular in the Annual Report concerning the financial year 1993 (paragraphs 15.103 to 15.111) and the Annual Reports on the activities of the sixth, seventh and eighth EDFs concerning the financial years 2000 (paragraph 12) and 2001 (paragraphs 48 and 49).

⁽²⁰⁾ The Centre for the Development of Industry (CDI) of the Lomé Conventions became the Centre for the Development of Enterprise (CDE) in the Cotonou Agreement.

44 to 47. *The Commission plays a proactive role in the formulation of the CDE's strategy so that its activities will form an integral part of the Cotonou Agreement's support strategy to develop the private sector. In accordance with this Agreement, the Commission respects the Centre's operational management autonomy and exercises its control function with due regard for the roles of the different institutions. It is when the budget is drawn up that the Commission can exercise control because the proposed budget must be submitted by the Director of the CDE to the Administrative Board and approved by it before the Commission draws up the budget financing proposal. This is then approved by the supervisory body. In this process the Commission can intervene at administrative board level as advisor to the supervisory body*

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45. On the occasion of the discharge decision for the financial year 2000, in its resolution in respect of the EDFs, Parliament noted the Commission's undertaking to carry out a financial audit covering the years 1997 to 1999 and to make an organisational study of the Centre. This work was completed at the beginning of 2002.

Development of the CDE situation

46. The Court examined the development of the Centre's situation and the measures undertaken to improve its administration, especially the implementation of the recommendations contained in the organisational study.

47. The Commission's control was essentially reactive, for example, at the time of the CDE's proposal for the annual budget.

48. There are still management shortcomings at the CDE:

- (a) the appointment of an administrative board at the end of 2002 made it possible to end a situation which had created a confusion of roles over more than two years, without any clear organisational structure being adopted;
- (b) the CDE has started to revise its internal rules and procedures (staff regulations, rules of procedure, financial regulations), but this was not yet complete at the end of 2002;

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(the Council ACP Group) and when the financing proposal is drawn up. Since 2002 the CDE has had to present a quarterly financial report.

The Commission can also ask for audits to supplement the information it receives. At present the Commission is pushing to make this system — submission of accounts, auditors' report, meeting of the board — completely operational. This has not been the case in recent years because of the lack of a true board.

48.

- (a) *Following an organisational study, and at the initiative of the Commission, the Centre started to implement a reorganisation policy in 2002. At its meetings on 20 and 21 May and 3 July this year, the administrative board agreed on the way in which the reorganisation would be carried out. It should be completed by the end of the year.*

- (b) *New rules and procedures.*

On the advice of the Commission's Legal Service, these new rules and procedures have to be adopted by the Council, and that will take time since there must be approval on both the ACP and EU sides.

The financial regulation and the statutes and internal rules of procedure for the CDE have been approved by the Commission. It is planned to submit them to the Council for approval in September this year.

The staff regulations should be approved by the Commission by the end of September/mid-October, when they will be forwarded to the Council.

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- (c) the new accounting application is still not operational and forwarding the accounts continues to take a long time. The financial statements and audit report in respect of the budget for 2001 — not to mention those for the 2002 budget — had not been finalised at the end of March 2003;

- (d) the provisional version of the accounts for 2001 reveals a further increase in the carryover of appropriations, a matter which the auditors had already commented on as regards the 2000 accounts;

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- (c) 1. *New accounting application.*

The new accounting application (FAST) went into operation on 1 January 2003. It functions in parallel with the old accounting application and takes on board the recommendations of the various audits. It is expected to become fully operational in the last quarter of the year. FAST includes a number of project monitoring functions. This was recommended by the Commission as part of its demand for more analytical accounting by the Centre.

2. *Closure of the accounts.*

The financial statements and audit report on the 2001 budget were submitted to the administrative board on 20 May this year and approved by it.

Concerning the 2002 budget, the statutory auditors appointed by the Committee of Ambassadors will start work only when they are in possession of the internal auditor's report, which must be submitted by 30 June of the following year. For the 2002 budget therefore, the auditors begin work in July this year.

In order to speed up the submission of the audit report, all the deadlines — for submission of accounts, the internal auditor's report and the auditors' report — have been tightened up. The auditors now have to submit their report on the previous year to the Director by 30 June of each year.

- (d) *Carryover of appropriations.*

Given the specific nature of the Centre's activities, it can execute and pay commitments made in year N until 31 December of the year N + 1.

In 2001 the financing agreement was not signed until 18 May, which led to delays in operations and in programming activities.

The Commission shares the Court's opinion and hopes that in future the Centre will be closer to achieving an annual budget implementation.

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- (e) in the case of the programmes managed on behalf of third parties, the CDE's budget overviews do not make a clear distinction between administrative expenditure and expenditure on intervention ⁽²¹⁾.

*Transfers of funds recorded as payments***Summary of previous observations**

49. The Court of Auditors has published observations regarding Stabex funds on several occasions ⁽²²⁾. In the 2001 annual report it stated that some of the funds had been transferred by the Commission to accounts owned by it but pre-assigned to beneficiary countries without any appropriate monitoring of accounts to make it possible to identify when these funds were finally disbursed.

50. A similar problem arises in the case of the funds for the heavily indebted poor countries initiative (HIPC). In this case the funds were transferred to accounts opened with the World Bank in the Commission's name. These transfers too are recorded as payments in the EDF accounts.

Development of the situation

51. With regard to the management of the Stabex funds, the Commission has stated that it is considering the advisability of gradually ceasing to transfer funds to its own bank accounts by means of internal transfers in

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- (e) *Third parties.*

Apart from the third parties' funds managed on behalf of Luxembourg, the funds so managed are used to finance only interventions, not administrative expenditure.

49. In 2001, following problems arising from attachments, the Commission decided that after signing of the transfer agreement between the Commission and the ACP State concerned, Stabex transfers would be made to a subsidiary, 'secure' account opened on behalf of the Commission rather than an account opened in the name of the ACP State concerned. In 2002 there were no Stabex transfers and this is why it did not take corrective measures. However, as mentioned by the Court in point 51 of its report, the Commission plans to return to the old system of opening an account on behalf of the recipient country. Similarly, the Commission undertakes in future to provide comprehensive information on the use local authorities make of the Stabex funds.

50. Payments under the HIPC programmes are identified as advances in order to be able to monitor actual implementation. These advances are entered in the revenue and expenditure accounts and are audited after receipt of confirmation that the funds were used to reduce the debts of the countries deemed eligible. So in its annual accounts for the EDF the Commission annexes the situation of advances still to be cleared.

⁽²¹⁾ Article 37(3) of the draft financial regulation for the CDE of 16 April 2002.

⁽²²⁾ The most recent being in the Annual Report on the activities of the sixth, seventh and eighth EDFs concerning the financial year 2001 (paragraph 19).

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the names of the ACP beneficiary States, and instead, as from 2003, to transfer funds to the ACP beneficiary States' own accounts, opened in their names, at banks in Europe. The ACP States will only be able to use these funds after specific conditions have been fulfilled and with the Commission's agreement. The Commission is taking steps to monitor and report on them.

CHAPTER IV — MAIN OBSERVATIONS IN SPECIAL REPORTS PUBLISHED BY THE COURT SINCE THE LAST DISCHARGE PROCEDURE

Special Report No 8/2003 concerning the execution of infrastructure work financed by the EDF

52. Construction and renewal of infrastructure — mainly in the highways sector — are important aspects of EDF-financed development cooperation. At the end of 2002 Commission payments for work of this nature represented 16 % of the sixth, seventh and eighth EDFs and amounted to almost 3 200 million euro.

53. The objective of the Court's audit was to examine the execution of infrastructure work financed by the EDF. The audit mainly concerned 30 contracts representing 13 % of the total works contracts financed by the sixth, seventh and eighth EDFs. The contracts were selected for audit on the basis of risk criteria and had been concluded between 1987 and 2000 by seven ACP States. The purpose of this selection procedure was to obtain a sound basis for an analysis of the problems encountered during the execution of the work, with the intention of helping to remedy them. Most of the contracts concerned road construction or repair. They were performed in accordance with the general conditions adopted in March 1990 by the ACP-EEC Council, which are still applicable in support of the implementation of the Cotonou Agreement.

53. The Commission welcomes the Court's analysis of the reasons why some works contracts encountered problems, and what might be done to improve the ways in which such problems can be prevented. The focus on risk areas helps to identify issues that need to be tackled on a wide front. The Commission is not alone in financing infrastructure projects in ACP States and other donors have faced similar difficulties.

Procedures adopted by the Commission in recent years, notably the publication in 1996 of transport sector guidelines and the revision in 2000 of tendering procedures, already address these problems. The Commission now endeavours to ensure that design studies are completed before the financing of the works contract is decided, and expects that this will further contribute to address the identified problems.

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54. The works examined were mostly part of the implementation of national or regional sectoral strategies supported by the community of fund providers. Weaknesses and errors in the design or implementation studies were the cause of many of the implementation problems noted, and the lack of quality control regarding these studies resulted in an excessive number of contracts being based on partly erroneous or unrealistic specifications. In the course of implementation this resulted in changes which affected the scope, nature and duration of the various works, as well as the cost of them. The requisite changes were often neither decided nor formalised with the recommended degree of discipline. The legal disputes and claims associated with implementation were correspondingly more difficult to foresee and contain. The strategy of resorting to technical assistance as a means of reinforcing the implementation mechanism does not always answer requirements. Insufficient control over disparities between contracts and outturn meant that, in some cases, enterprises were able to evade their responsibilities or get away with not complying with the conditions that were the outcome of competitive tendering. The implementation mechanism established in order to deal with standard situations proved inadequate in such cases.

55. The weaknesses detected in these various fields regularly affected the cost of the works, and sometimes even their sustainability, to an excessive degree. Although many of the implementation problems noted were encountered from one contract and one country to another, the experience gained did not result in the acquisition of sectoral expertise that could be applied to the advantage of all works contracts financed by the EDF. This also detracted from the added value of intervention by the Commission's central departments.

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54. *The Commission's 1994 evaluation of its programmes in the transport sector concluded that establishing sustainable road networks requires a sectoral approach. This strategy has been developed in partnership with other donors, particularly the Member States and the World Bank.*

The Commission has in recent years adopted improved practices for addressing problems related to delays in construction. Approaches such as completing all design work before awarding works contracts, and retaining the design consultants to supervise the works construction as well, are significantly reducing the incidence of technical, financial and managerial problems. In parallel, sectoral policy and project management training programmes have been running for Commission officials since the mid-1990s. There is now a far better understanding of the kinds of issues raised in the Court's audit.

The important role of the ACP authorities in managing the implementation of projects and ensuring measures are in place to maintain the infrastructure after completion should be highlighted. The Commission emphasises the importance of the various powers conferred by the Lomé Conventions and the Cotonou Agreement on the local institutions. In some cases noted by the Court, weaknesses in project design stemmed directly from studies in which the Commission was not involved. However, large projects of this kind cannot be perfectly planned beforehand, and many problems cannot be anticipated. It is sound management to respond to the need to amend a project in a way which identifies the most cost-effective solution.

55. *In spite of the technical and financial problems, the audited road projects have been economic successes, improving access to local markets and increasing regional trade. The revised functions of the central services at the Commission, which are being introduced, provide for them to ensure that best practices are adopted quickly in the different countries. Moreover there is a rotation of staff between headquarters and the delegations in the ACP states. In addition, staff numbers in delegations are being progressively increased under the devolution arrangements.*

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56. The European Community and the ACP States should exercise better control over the implementation of works contracts financed by the EDF and, in particular, should reduce the extent of the noted divergence between contracts and the degree to which they are actually performed. It would thus be advisable for the Commission to increase the support it provides to ACP States at the stages where contracts are drawn up and their implementation monitored. In order to do this, it should:

- (a) provide a more definite framework for the studies used as a basis for concluding contracts, introduce effective quality control at this stage and increase the responsibility borne by consultancies;
- (b) place more emphasis on the justification for any changes that are made while works are in progress and attach greater importance to their repercussions on the cost and quality of the works in question; it should also emphasise the importance of identifying and rapidly resolving any problems or claims that arise during implementation;
- (c) reorganise its departments so as to provide the delegations and ACP States with support and sectoral expertise commensurate with the managerial responsibilities which it is transferring to the delegations in the context of decentralisation.

CHAPTER V — A SPECIAL CASE: THE DECISION TAKEN BY THE GENERAL AFFAIRS COUNCIL AND THE MONETARY SITUATION IN ZIMBABWE ⁽²³⁾

Introduction

57. On 18 February 2002, the EU's General Affairs Council decided to suspend all financial aid to Zimbabwe and to finance only actions that were of direct

⁽²³⁾ Council Regulation (EC) No 310/2002 of 18 February 2002 concerning certain restrictive measures in respect of Zimbabwe (OJ L 50, 21.2.2002, p. 4) and Council Decision 2002/148/EC of 18 February 2002 concluding consultations with Zimbabwe under Article 96 of the ACP-EC Partnership Agreement (OJ L 50, 21.2.2002, p. 64).

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56.

- (a) *The Commission's procedures for engaging consultants were completely revised in 2000, in a way which should improve quality and performance. It is the responsibility of the contracting agency (usually the government) to pursue any action necessary in relation to professional negligence.*
- (b) *The Commission already examines carefully the issues listed by the Court when a variation on the original contract is asked for by the contractor. It will try to ensure that existing guidance on documenting the reasons for the relevant analysis is fully respected.*
- (c) *The reorganisation decided in February 2003 is currently being implemented.*

57. *The objective of the Council's decision of 18 February 2002 was to suspend the EDF funds for Zimbabwe in a way which did not penalise the Zimbabwean population. Projects benefiting the population directly (social sectors) were not to be affected by the suspension. As a result the suspension of aid mainly affects projects for capacity building and policy reforms within ministries and governmental bodies.*

The Council decision does not suspend or derogate from the procedures under which aid to Zimbabwe is delivered. Therefore the implementation of the decision has to follow EDF rules and procedures.

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benefit to the people of that country. As of the end of 2002, however, a number of factors were limiting the practical impact of this policy.

Review of EDF projects following the Council Decision

58. Once the Council Decision was known, the Commission delegation in Harare and the national authorising officer for Zimbabwe identified and quantified the types of intervention that could no longer be financed with the aid of European subsidies. The Member States were notified of this in July 2002 and December 2002.

59. Of the 129,7 million euro still available at the end of 2002 to finance projects of direct benefit to the people of Zimbabwe, 43,7 million euro was to come from a reallocation decided pursuant to the Council Decision.

60. Some additional clauses to the financing agreements had still not been signed 10 months after the Council Decision and, for that reason, the EU's accounting commitments had not been fully readjusted by the end of 2002.

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58. The process began with a first meeting with the NAO on 27 February and was completed in May 2002. In fact, most programmes running in Zimbabwe at the time of suspension were already focused on the social sectors and directed towards direct support for the population because the Commission had been fully aware of the deteriorating situation for some time. A total of approximately EUR 43,7 million had to be redirected, EUR 21 million of which within the same sector, i.e. health and education. By May 2002, therefore, the Commission had taken a clear decision on which projects were to be closed, which continued, and which redirected. Implementation of this decision was well under way by June 2002 and the Member States fully informed on 2 July 2002.

60. Direct support elements (EUR 14 million) under the Health Sector Support Programme (EUR 24,5 million) were suspended immediately. Preparation of the rider for additional essential medicine purchases started in May 2002. After negotiations and agreement with the NAO it was submitted to the EDF Committee in September 2002. Given the political sensitivity of the issue and the complex procedure to be followed, the rider could not be signed by the Commission until May this year. It was signed by the NAO on 4 June 2003.

As regards the education and transition reform programme (ETRP), whose direct support elements were immediately suspended (EUR 5,8 million of the EUR 11,4 million commitment), a mid-term evaluation was due when the General Affairs Council decision was taken in 2002 in order to make adjustments to the different components of the programme, including reallocation of funds. It was decided by the NAO and the delegation to combine the redirection of the EDF portfolio for ETRP and the mid-term evaluation. It was planned

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*Effective scope of the Council Decision in the context of the economic and monetary situation in Zimbabwe***Official exchange rate increasingly disconnected from market reality**

61. In December 1998, the Zimbabwean dollar (ZWD) exchange rate was ZWD 37,37 to USD 1. In January 1999, the Zimbabwean Government adopted a mechanism involving a fixed exchange rate at which, *inter alia*, all transfers made by EU institutions had to be effected. There were two successive devaluations in 2002. The official exchange rate then settled at ZWD 55 to USD 1 and remained virtually unchanged.

62. In a climate of high inflation, exchange transactions were rapidly conducted on the parallel market, at an exchange rate determined by supply and demand. The parallel rate gradually rose from ZWD 70 to USD 1 in December 2000 to around ZWD 345 to USD 1 at the end of 2001 and ZWD 1 500 to USD 1 in November 2002.

63. After the Commission delegation had drawn attention to this development, it was instructed to continue to apply the fixed exchange rate when it replenished the accounts used to finance projects and programmes financed by the Community. In September 2002, it was also authorised to try to agree the most favourable exchange rate it could with the Zimbabwean authorities. Hence, in December 2002, the accounts were replenished at an intermediate exchange rate of approximately ZWD 800 to USD 1, which constituted a compromise whereby one half of the funds was transferred at the fixed exchange rate and the other half at

to draw up a rider once this exercise was completed. The mid-term evaluation was not carried out until the first part of the year (later than planned) and work is now under way to finalise the draft rider, which should be submitted to the EDF Committee in the early autumn.

62. Regarding the official exchange rate, versus the parallel exchange rate, note that there was little difference between the official and parallel rates until the beginning of 2001, and that it was not until the end of 2002 that the parallel rate reached ZWD 1 400 (in 2001 the parallel rate rose from 71,75 to 345).

The illegal use of the parallel exchange rate for official transactions by the banks of Zimbabwe should be noted. In fact, the Reserve Bank has on several occasions threatened to prosecute banks trading on the black market.

63. As the official exchange rate is exclusively a matter of national sovereignty, the only possibility of applying a different rate is to negotiate with the NAO and the country's banks. This is what the Commission did when the official rate became unrealistic. The Commission has found a way of partially maintaining the value of EDF transfers by negotiating a 'blend rate' with the banks in Zimbabwe. In doing this the Commission is anxious to act absolutely transparently, i.e. respecting the joint management of the EDF and remaining within a legal framework. The NAO was informed of the outcome. However, it should not be forgotten that a devaluation was considered imminent in July 2002 by informed observers and

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the parallel rate. The Commission also intended to give priority to making direct payments in foreign currency wherever possible.

An exchange rate that reduces the effectiveness of the aid to the people of Zimbabwe

64. In view of this monetary situation, the Commission incurred a very heavy loss during 2002 at any point when it paid funds into project accounts held in Zimbabwean dollars. Taking as example the programmes audited by the Court (some 50 % of total ZWD payments effected by the Commission in 2002): in order to make these payments the Commission converted 4,5 million euro into ZWD at the official rate of exchange and obtained approximately ZWD 235 million. Comparing this with their equivalent value on the parallel market (approximately ZWD 2 100 million), almost 4 million euro, or 89 %, in purchasing power was lost to the people of Zimbabwe.

65. Moreover, a similar system could be profitable for any of the persons, entities and bodies referred to in Article 2 of the Council Regulation that might obtain euro at the official rate. Although the General Affairs Council aimed to prevent these structures from benefiting from EU aid, the fact remains that the effect of the monetary situation in this country is likely to be different, but the Court is not in a position to quantify it.

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that it was only the unexpected opposition of the President himself (against his own finance minister and cabinet) that allowed the situation to continue into the autumn. The situation worsened considerably throughout the second half of the year, the black market rate rising from ZWD 600 to the US dollar in August to ZWD 1 500 to the dollar at the end of the year.

At the end of February this year, the Government adopted an economic recovery plan that includes the use of an export rate whereby the dollar can be traded at ZWD 824, and the NAO agreed to extend this rate to EDF transactions. Moreover, the Commission is continuing to negotiate with its own bank and other local banks, keeping the NAO informed. As a result, the Commission has succeeded in substantially improving the 'blend' rate, which stood at ZWD 1 750 to the euro in July 2003, whereas the black market rate at the time was ZWD 2 200/2 400 to the euro.

64. *In the second half of 2002 the delegation slowed down payments in local currency to a minimum, in particular holding back until December 2002 the payment out of funds held in euro of expenditure amounting to some ZWD 125 million, pending the first results of the 'blend' rate negotiations.*

65. *Forex is also used to import fuel, food and medicines. It was certainly not the Council's intention to also deprive the people of Zimbabwe of hard currency for these imports as an added punishment.*

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Inflation worsens the impact of the exchange rate

66. In 2000, inflation stood at an annual average of around 60 %. It rose to 112 % at the end of 2001 and to 200 % at the end of 2002. Given such an inflationary environment and the low yield on bank balances in ZWD, the already low purchasing power of funds transferred to the project accounts and not spent immediately decreased in value at the rate of some 5 % per month during 2002. Although the Commission took steps to ensure that balances in ZWD were rapidly utilised, the residual portion of the aid earmarked for eligible expenditure under projects financed by the Community was affected by the same galloping inflation, albeit to a lesser extent.

Inadequate corrective measures

67. Making payments in foreign currency is the safest way of preserving the purchasing power of Community funds. In 2002, such payments accounted for one third of Community payments. The situation should improve in 2003, notably due to the supply of medicines paid for directly in foreign currency amounting to some 26 million euro. However, the phenomenon of loss of purchasing power continued to affect the very substantial portion scheduled to be spent on other types of financing (micropoject programmes etc.). In this case, despite the compromise exchange rate negotiated by the Commission delegation, the erosion of the value of Community payments is still significant.

Conclusion

68. On 18 February 2002, the General Affairs Council decided to target financing on the people of Zimbabwe. This decision has been well implemented, but its scope has been reduced by the following:

- (a) an exchange rate which bears no relation to money-market realities and which, in 2002, reduced the value of the EDF resources by 89 %, to the detriment of the people on whom the aid had been retargeted;

66. In order to limit the problem of devaluation of funds on project accounts the Commission is reducing advance payments to the minimum needed for the functioning of the local work programmes.

67. In addition, the following measures have been taken to limit the damage caused by the adverse economic and monetary conditions mentioned. Since 2001 the Commission has been making euro payments outside the country whenever possible. This is why the health programme is almost completely focused on drugs procurement. However, these types of payments are not possible for most community programme needs. The delegation has this year also ensured that the imprest accounts of local project work programmes have euro components. Previously, imports for these projects were done by specific commitments and this new arrangement allows the programmes to arrange the purchase of the imports themselves, with the agreement of the delegation.

68. The Council decision of 18 February 2002 to redirect aid for the direct benefit of the population has been implemented in full. All the projects that were not consistent with the decision were immediately suspended and redirected. The implementation of the Council decision is not directly linked with the monetary situation of the country (emergence of black market in the currency beside the official market). Such a situation has a considerable impact on the implementation of any donors' aid (which is why the Commission had already started looking into it before the 18 February decision).

- (a) In such a situation the concept of a normal money market is not appropriate, and the local market rate at any time reflects local speculative pressures rather than the normal supply and demand of capital. The Commission

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- (b) the fact that the persons, entities and bodies referred to in Article 2 of the Council Regulation are able to obtain foreign currency at the fixed exchange rate;
- (c) the erosion by inflation of the purchasing power of the residual portion of the aid earmarked for the people of Zimbabwe.

69. In the information that the Commission sent to the Member States in July and December 2002, attention should have been drawn to these circumstances which detract from the intended impact of the Council Decision.

70. The Council Decision could have been more effective if, in addition to the review already carried out, the Commission:

- (a) had considerably increased its direct payments in foreign currency or its aid in kind;
- (b) had more swiftly obtained the Zimbabwean authorities' agreement for project accounts held in Zimbabwean dollars to be funded at an exchange rate based on economic reality;
- (c) had avoided any delay in utilising the resources available in ZWD.

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therefor considers that the figure of 89 % does not reflect the real situation in the country or the circumstances the Commission had to face.

69. *The Commission intends to inform the Member States in the autumn of the follow-up to the Council decisions and the difficulties it faced.*

70. *As the official exchange rate is exclusively a matter of national sovereignty, the only possibility of applying a different rate is to negotiate with the country's banks and obtain the approval of the NAO. The Commission managed to obtain a better exchange rate from its bank when the official rate became unrealistic. The Commission informed the NAO accordingly.*

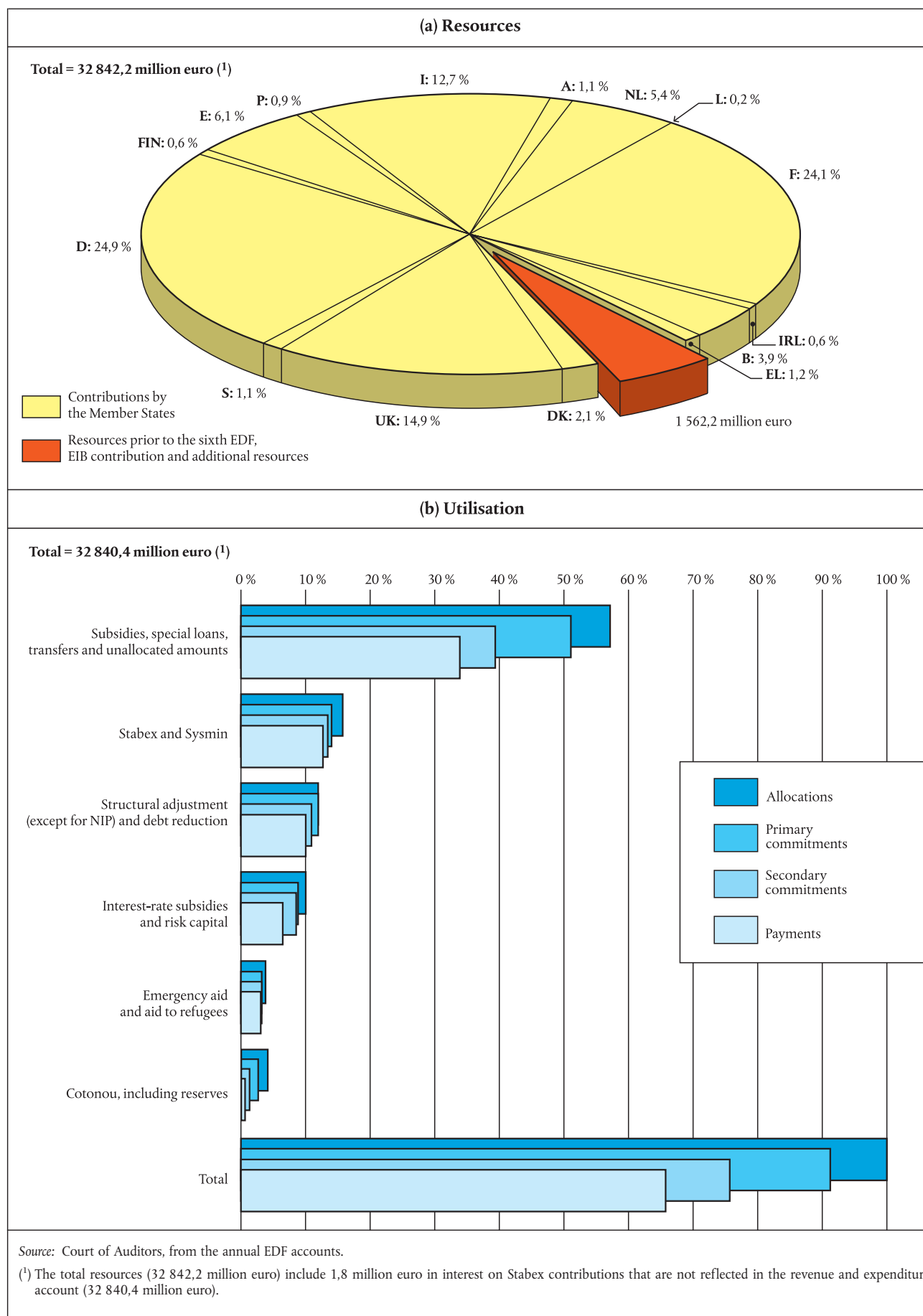
In addition, in order to limit the problem of devaluation of funds on project accounts, the Commission is reducing advance payments to the minimum needed for the functioning of the local work programmes.

Since 2001 the Commission has been making euro payments outside the country whenever possible. This is why the health programme is almost completely focused on drugs procurement. However, these types of payments are not possible for most community programme needs.

The delegation has also this year ensured that the imprest accounts of local project work programmes have euro components. Previously, imports for these projects were done by specific commitments and this new arrangement allows the programmes to arrange the purchase of the imports themselves, with the agreement of the delegation.

The Commission is keeping its resources in euro, not in ZWD, and therefore there were no delays in the payments of the ZWD components, since the euro were exchanged each time a payment was needed. Every effort is being made by projects to spend their ZWD as fast as possible, but this is being hindered in some cases by shortages of goods such as cement, etc.

**Chart illustrating the consolidated sixth, seventh and eighth EDFs
as at 31 December 2002**



ANNEXES

ANNEX I

Financial information on the budget of the European Union

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PRELIMINARY NOTES

SOURCES OF FINANCIAL DATA

The financial data contained in this Annex have been drawn from the annual accounts of the European Communities ⁽¹⁾ and from other financial records provided by the Commission. The geographical distribution is in accordance with the country codes in the Sincom system. As the Commission points out, all the figures given by Member State — for both revenue and expenditure — are the result of arithmetic that gives an incomplete view of the benefits that each State derives from the Union. They must therefore be interpreted with circumspection.

MONETARY UNIT

All the financial data are presented in millions of euro. The totals are rounded from each exact value and will not therefore necessarily represent the sum of the rounded-off figures.

ABBREVIATIONS AND SYMBOLS

A	Austria
AFC	Appropriations for commitment
AFP	Appropriations for payment
B	Belgium
CA	Commitment appropriations
Ch.	Budgetary chapter
CS	European Coal and Steel Community
D	Germany
DIA	Diagram referred to within other diagrams (e.g. DIA III)
DA	Differentiated appropriations
DK	Denmark
DKK	Danish crown (krone)
E	Spain
EAEC or EA	European Atomic Energy Community
EC	European Community(ies)
EEC	European Economic Community
EFTA	European Free Trade Association
EL	Greece
EU	European Union
EU-15	Total of the 15 Member States of the European Community
F	France
FIN	Finland
FR	Financial Regulation of 21 December 1977
GBP	Pound sterling
GNP	Gross national product
I	Italy
IRL	Ireland
L	Luxembourg

⁽¹⁾ In the case of the financial year 2002: provisional annual accounts relating to operations under the 2002 budget.

NDA	Non-differentiated appropriations
NFR	Financial Regulation of 25 June 2002 (applicable as from 1 January 2003)
NL	Netherlands
OJ	<i>Official Journal of the European Communities</i>
P	Portugal
PA	Payment appropriations
s	Budgetary section
S	Sweden
SEK	Swedish crown (krona)
ss	Budgetary subsection
T	Budgetary title
UK	United Kingdom
VAT	Value-added tax
0,0	Data between zero and 0,05
—	Lack of data
%	Percentage

BACKGROUND INFORMATION ON THE BUDGET ⁽²⁾

1. ORIGIN OF THE BUDGET

The budget comprises the expenditure of the European Community, the European Atomic Energy Community (Euratom) and the European Coal and Steel Community. It also includes administrative expenditure on cooperation in the fields of 'justice and home affairs' and the common foreign and security policy, as well as all other expenditure that the Council considers should be borne by the budget for the purpose of implementing these policies. The budget was created by the Merger Treaty ⁽³⁾ ⁽⁴⁾.

2. LEGAL BASIS

The budget is governed by the financial provisions of the Treaties of Paris ⁽⁵⁾ (Article 78 ECSC) and Rome ⁽⁶⁾ ⁽⁷⁾ (Articles 268 to 280 EC and Articles 171 to 183 Euratom) and by the Financial Regulations ⁽⁸⁾.

3. MAIN BUDGETARY PRINCIPLES LAID DOWN IN THE TREATIES AND THE FINANCIAL REGULATION

All items of Community revenue and expenditure are to be included in a single budget (unity). Revenue is to be used without distinction to finance all expenditure and, like the expenditure, is to be entered in full in the budget and subsequently in the financial statements without any adjustment of one item against another (universality). The appropriations are specialised according to their nature or intended use (speciality). The budget is authorised for one financial year only (annuality). Budgetary revenue and expenditure must balance (equilibrium). There are some exceptions to these general principles.

4. CONTENT AND STRUCTURE OF THE BUDGET

The budget consists of a 'General statement of revenue' and a 'Statement of revenue and expenditure', which itself is subdivided into eight sections: section I — Parliament; section II — Council; section III — Commission ⁽⁹⁾; section IV — Court of Justice; section V — Court of Auditors; section VI — Economic and Social Committee; section VII — Committee of the Regions; section VIII — European Ombudsman and European Data-protection Officer.

Within each section ⁽⁹⁾, items of revenue and expenditure are classified under budget headings (titles, chapters, articles and, where applicable, items) according to their type or the use to which they are to be applied.

⁽²⁾ Additional information on the budget is available on the Commission's Internet site and in a Commission publication entitled *European Union Public Finance*.

⁽³⁾ Merger Treaty (8 April 1965): Treaty establishing a Single Council and Single Commission of the European Communities (Article 20). The budget replaced, on 1 January 1968, the three separate Community budgets which existed before that date: the ECSC administrative budget, the EEC budget and the Euratom operating budget. The Euratom research and investment budget was incorporated into the budget as from 1971 by the Treaty of Luxembourg (Article 10).

⁽⁴⁾ Treaty of Luxembourg (22 April 1970): Treaty amending certain budgetary provisions of the Treaties establishing the European Communities and of the Merger Treaty.

⁽⁵⁾ Treaty of Paris (18 April 1951): Treaty establishing the European Coal and Steel Community (ECSC).

⁽⁶⁾ Treaty of Rome (25 March 1957): Treaty establishing the European Economic Community (EEC).

⁽⁷⁾ Treaty of Rome (25 March 1957): Treaty establishing the European Atomic Energy Community (Euratom).

⁽⁸⁾ Mainly the Financial Regulation (FR) of 21 December 1977 (OJ L 356, 31.12.1977).

⁽⁹⁾ Section III (Commission) is subdivided into part A 'Staff and administrative appropriations' and part B 'Operating appropriations' which is further subdivided into main sectors of activity.

5. MONETARY UNIT OF THE BUDGET

The budget is established and implemented in euro.

6. FINANCING OF THE BUDGET (BUDGETARY REVENUE)

The budget is mainly financed from the Communities' own resources: agricultural duties, sugar and isoglucose levies; customs duties; own resources accruing from VAT and GNP-based own resources ⁽¹⁰⁾.

Besides own resources, there are other, marginal items of revenue (see diagram I).

7. TYPES OF BUDGET APPROPRIATION

To cover estimated expenditure, the following types of budget appropriation are distinguished in the budget:

- (a) differentiated appropriations (DA) are used to finance multiannual activities in certain budgetary areas. They comprise commitment appropriations (CA) and payment appropriations (PA):
 - commitment appropriations make it possible to enter into legal obligations during the financial year for activities whose implementation extends over several financial years,
 - payment appropriations make it possible to cover expenditure arising from commitments entered into during current and preceding financial years;
- (b) non-differentiated appropriations (NDA) make it possible to ensure, the commitment and payment of expenditure relating to annual activities during each financial year.

It is thus important to establish the following two totals for each financial year:

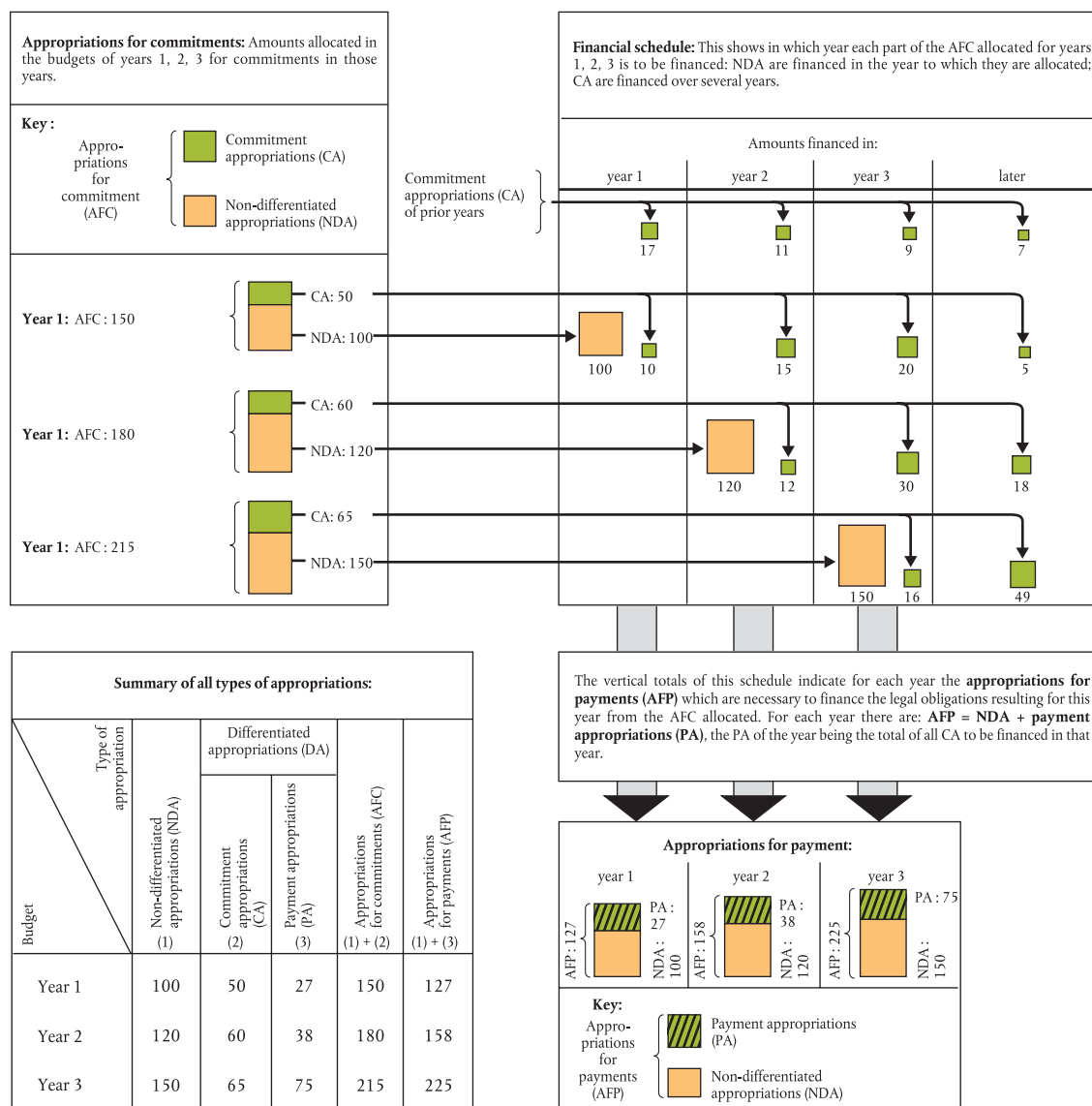
- (a) the total of appropriations for commitments (AFC) ⁽¹¹⁾ = non-differentiated appropriations (NDA) + commitment appropriations (CA) ⁽¹¹⁾;
- (b) the total of appropriations for payments (AFP) ⁽¹¹⁾ = non-differentiated appropriations (NDA) + payment appropriations (PA) ⁽¹¹⁾.

⁽¹⁰⁾ Principal legal acts relating to own resources: Council Decision 2000/597/EC, Euratom of 29 September 2000 (OJ L 253, 7.10.2000); Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000); Council Regulation (EEC, Euratom) No 1553/89 of 29 May 1989 (OJ L 155, 7.6.1989); sixth Council Directive of 17 May 1977, common system of VAT: uniform assessment basis (OJ L 145, 13.6.1977); Council Directive 89/130/EEC, Euratom of 13 February 1989 on the harmonisation of the compilation of GNP (OJ L 49, 21.2.1989).

⁽¹¹⁾ It is important to note the differences between 'appropriations for commitments' and 'commitment appropriations' and between 'appropriations for payments' and 'payment appropriations'. The two terms 'commitment appropriations' and 'payment appropriations' are used exclusively in the context of differentiated appropriations.

Revenue raised in the budget is intended to cover the total appropriations for payments. Commitment appropriations do not need to be covered by revenue.

The following simplified presentation (with illustrative amounts) shows the impact of these types of appropriations in each budget year.



8. IMPLEMENTATION OF THE BUDGET

8.1. *Responsibility for implementation*

The Commission implements the budget under its own responsibility in accordance with the Financial Regulation and within the limits of the allotted appropriations; it also confers upon the other institutions the requisite powers for the implementation of the sections of the budget relating to them⁽¹²⁾. The Financial Regulation lays down the implementation procedures and, in particular, the responsibilities of the authorising officers, accounting officers, administrators of imprest accounts and financial controllers of the institutions⁽¹³⁾. In two main specific areas (EAGGF-Guarantee and Structural Funds) the management of Community funds is shared with the Member States.

8.2. *Implementation of revenue*

The estimated revenue is entered in the budget subject to change by amending and supplementary budgets.

The budgetary implementation of revenue consists of establishing the entitlements and recovering the revenue due to the Communities (own resources and other revenue). It is governed by certain special provisions⁽¹⁴⁾. The actual revenue of a financial year is defined as the total of sums collected against entitlements established during the current financial year and sums collected against entitlements still to be recovered from previous financial years.

The Member States, acting on behalf of the Communities, are responsible for the collection of amounts due in respect of customs duties, agricultural duties and sugar and isoglucose levies. The Member States keep 25 % of the amounts payable to cover their collection costs⁽¹⁵⁾.

8.3. *Implementation of expenditure*

The estimated expenditure is entered in the budget.

The budgetary implementation of expenditure, i.e. the evolution and utilisation of appropriations, may be summarised as follows:

(a) appropriations for commitments:

- (i) *movements of appropriations*: the total appropriations for commitments available in a financial year are made up as follows: initial budget (NDA and CA) + amending and supplementary budgets + supplementary receipts⁽¹⁶⁾ + transfers + commitment appropriations carried over from the preceding financial year⁽¹⁷⁾ + non-automatic carryovers⁽¹⁸⁾ from the preceding financial year not yet committed (NDA) + released commitment appropriations from preceding financial years which have been made available again⁽¹⁹⁾ + repayments of advances giving rise to reutilisation⁽²⁰⁾ + revenue and amounts received giving rise to reuse⁽²¹⁾;

⁽¹²⁾ See Articles 78d of the ECSC Treaty, 274 of the EC Treaty, 179 of the Euratom Treaty and 22(2) of the FR.

⁽¹³⁾ See Articles 21 to 55 and 73 to 77 of the FR.

⁽¹⁴⁾ See Articles 28 to 35 of the FR and Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000).

⁽¹⁵⁾ Council Decision 2000/579/EC, Euratom of September 2000 (OJ L 253, 7.10.2000).

⁽¹⁶⁾ See Article 96(2) of the FR.

⁽¹⁷⁾ See Article 7(2)(a) of the FR.

⁽¹⁸⁾ See Article 7(1)(a) and 7(3) of the FR.

⁽¹⁹⁾ See Article 7(6) of the FR.

⁽²⁰⁾ See Article 7(7) of the FR.

⁽²¹⁾ See Article 27(2) of the FR.

- (ii) *utilisation of appropriations*: the final appropriations for commitments are available in the financial year for use in the form of commitments entered into (appropriations for commitments utilised = amount of commitments entered into);
 - (iii) *carryovers of appropriations from one financial year to the next financial year*: appropriations belonging to the financial year which have not been utilised may be carried over to the next financial year following a decision by the institution concerned ⁽²²⁾. Appropriations available as assigned revenue are automatically carried over;
 - (iv) *cancellation of appropriations*: the balance is cancelled;
- (b) appropriations for payment:
- (i) *movements of appropriations*: the total appropriations for payments available in a financial year are made up as follows: initial budget (NDA and PA) + amending and supplementary budgets + supplementary receipts ⁽¹⁷⁾ + transfers + appropriations carried over from the previous financial year in the form of automatic carryovers ⁽²³⁾ or non-automatic carryovers ⁽²⁴⁾ + repayments of advances giving rise to reutilisation ⁽²¹⁾ + revenue and amounts received giving rise to reuse ⁽²²⁾;
 - (ii) *utilisation of appropriations of the financial year*: the appropriations for payment of the financial year are available in the financial year for use as payments. They do not include appropriations carried over from the previous financial year (utilised appropriations for payments = amount of payments made from the appropriations of the financial year);
 - (iii) *carryovers of appropriations from one financial year to the next financial year*: unutilised appropriations of the financial year may be carried over to the next financial year following a decision by the institution concerned ⁽²³⁾. Appropriations available as assigned revenue are automatically carried over;
 - (iv) *cancellation of appropriations*: the balance is cancelled;
 - (v) *total payments during the financial year*: payments against appropriations for payments of the financial year plus payments against appropriations for payments carried over from the preceding financial year;
 - (vi) *actual expenditure charged to a financial year*: expenditure in the consolidated statements on budgetary implementation (see point 8.4) = payments against appropriations for payments of the financial year plus appropriations for payments of the financial year carried over to the following financial year.

8.4. The consolidated statements of budgetary implementation and determination of the balance of the financial year

The consolidated statements of budgetary implementation are drawn up after the closure of each financial year. They determine the balance of the year which is entered in the budget of the next financial year through an amending budget ⁽²⁵⁾.

9. PRESENTATION OF THE ACCOUNTS

The accounts for a given financial year are forwarded not later than 1 May of the following financial year to Parliament, the Council and the Court of Auditors; these accounts comprise financial statements and statements on budgetary implementation, together with a report on the budgetary and financial management ⁽²⁶⁾.

⁽²²⁾ See Article 9(1) of the Financial Regulation of 25 June 2002 (NFR).

⁽²³⁾ See Article 7(1)(b) of the FR.

⁽²⁴⁾ See Article 7(1)(a) and 7(2)(b) of the FR.

⁽²⁵⁾ See Article 15 of the NFR.

⁽²⁶⁾ See Articles 121 to 129 and Article 181(2) of the NFR.

10. EXTERNAL AUDIT

Since 1977 the external audit of the budget has been carried out by the Court of Auditors of the European Communities ⁽²⁷⁾. The Court of Auditors examines the accounts of all revenue and expenditure of the budget. It must provide the European Parliament and the Council with a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions. It also considers whether revenue has been received and expenditure incurred in a lawful and regular manner, and whether the financial management has been sound. The audits may be carried out before the closure of the financial year in question and are performed on the basis of records and, where necessary, on the spot in the institutions of the Communities and in the Member States. The Court of Auditors draws up an annual report for each financial year and may also, at any time, submit its observations on specific questions and deliver opinions at the request of any of the institutions of the Communities.

11. DISCHARGE AND FOLLOW-UP

As from 1977 the following provisions are applicable ⁽²⁸⁾: Parliament, on the recommendation of the Council, gives, before 30 April of the second year following the financial year in question, the Commission discharge to implement the budget. To this end, the Council and Parliament in turn examine the accounts presented by the Commission and the annual report of the Court of Auditors. The institutions must take appropriate action on the comments appearing in the decisions giving discharge and report on the measures taken ⁽²⁹⁾.

DIAGRAMS

BUDGET FOR THE FINANCIAL YEAR 2002 AND BUDGETARY IMPLEMENTATION DURING THE FINANCIAL YEAR 2002

DIA I	Budget 2002 — Estimated revenue and final appropriations for payment
DIA II	Budget 2002 — Appropriations for commitment
DIA III	Appropriations for commitment available in 2002 and utilisation thereof, by financial perspective heading
DIA IV	Appropriations for payment available in 2002 and utilisation thereof, by financial perspective heading
DIA V	Own resources in 2002 — Actual revenue by Member State
DIA VI	Payments made in 2002, in each Member State

HISTORICAL DATA IN RESPECT OF THE IMPLEMENTATION OF THE BUDGET (1998 TO 2002)

DIA VII	Movement and utilisation of appropriations for payment for the period 1998 to 2002, by financial perspective heading
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⁽²⁷⁾ See Articles 45a, 45b and 45c of the ECSC Treaty, 246, 247 and 248 of the EC Treaty, 160a, 160b and 160c of the Euratom Treaty and Articles 139 to 147 of the NFR.

⁽²⁸⁾ See Articles 78g of the ECSC Treaty, 276 of the EC Treaty and 180b of the Euratom Treaty.

⁽²⁹⁾ See Article 147 of the NFR.

Diagram I

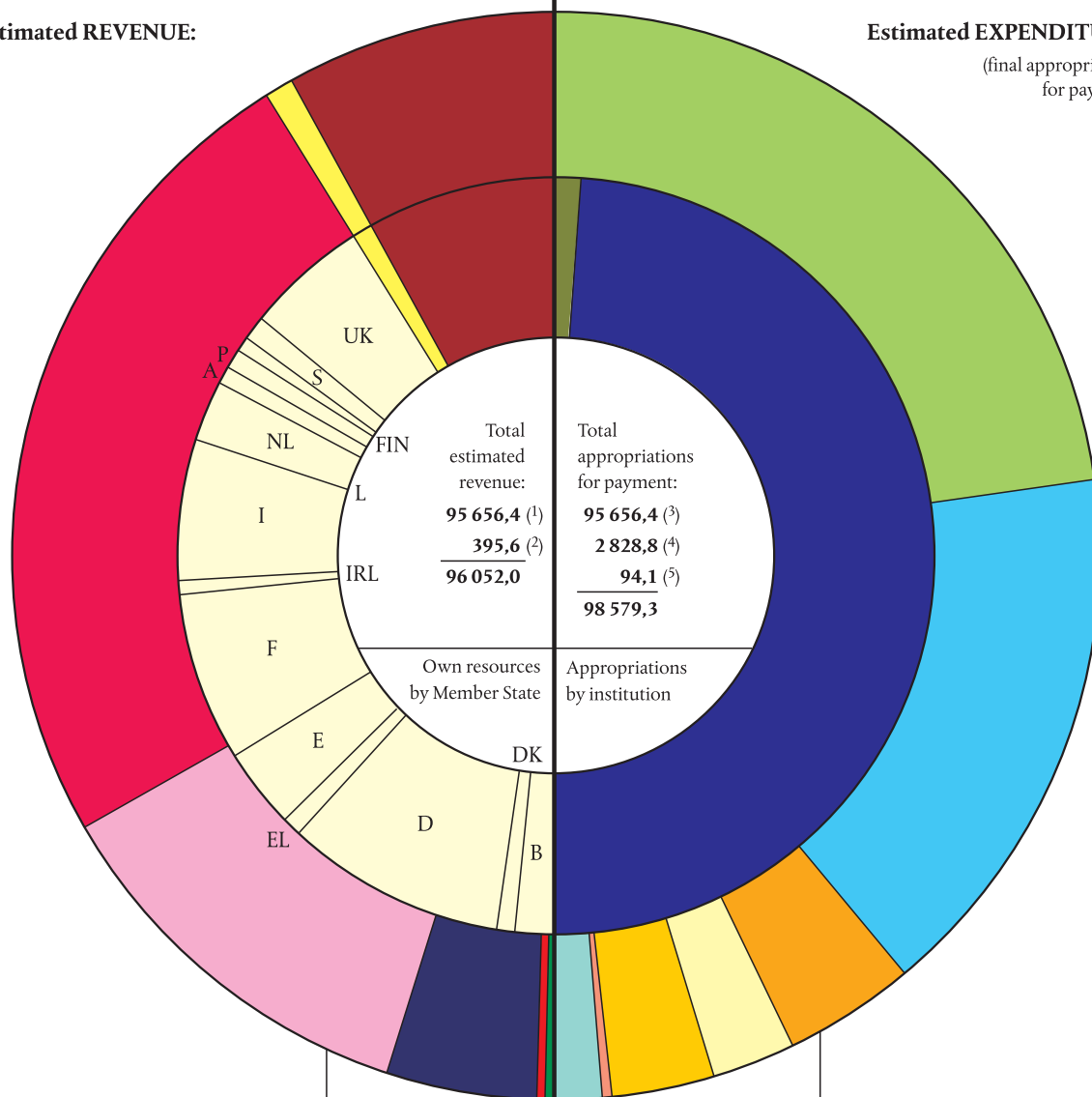
Budget 2002 — Estimated revenue and final appropriations for payment

(for revenue criteria, see 'Background information on the budget', point 8.2; for expenditure criteria, see 'Background information on the budget', point 8.3 and for more detailed information, see Diagram IV, column (a))

Estimated REVENUE:

Estimated EXPENDITURE:

(in million euro and in %)



Revenue by type

Appropriations by heading

Revenue key

Total own resources (by Member State)	
Agricultural duties	695,0 (0,7 %)
Sugar and isoglucose levies	477,6 (0,5 %)
Customs duties	8 509,6 (8,9 %)
Own resources accruing from VAT	22 601,2 (23,5 %)
GNP-based own resources	46 605,0 (48,5 %)
Other revenue	1 788,7 (1,9 %)
Surplus available from the previous year	15 375,0 (16 %)

Expenditure key

Financial perspective headings

1. Common agricultural policy	44 940,0 (45,6 %)
2. Structural operations	31 603,3 (32,1 %)
3. Internal policies	7 956,8 (8,1 %)
4. External action	4 969,8 (5 %)
5. Administrative expenditure	5 856,6 (5,9 %)
6. Reserves	651,8 (0,7 %)
7. Preaccession aid	2 600,9 (2,6 %)
Appropriations available for other institutions	2 050,0 (2,1 %)
Appropriations available to the Commission of which operating appropriations	96 529,3 (97,9 %)
	92 722,6 (94,1 %)

⁽¹⁾ After supplementary and amending budget.

⁽²⁾ Revenue from participation by outside bodies.

⁽³⁾ After supplementary and amending budget and transfers between budget headings.

⁽⁴⁾ Assigned revenue, appropriations made available again, appropriations carried over and reused.

⁽⁵⁾ EFTA expenditure.

Diagram II

Budget 2002 — Appropriations for commitment

(after supplementary and amending budgets: for more detailed information, see Diagram III, column (b))

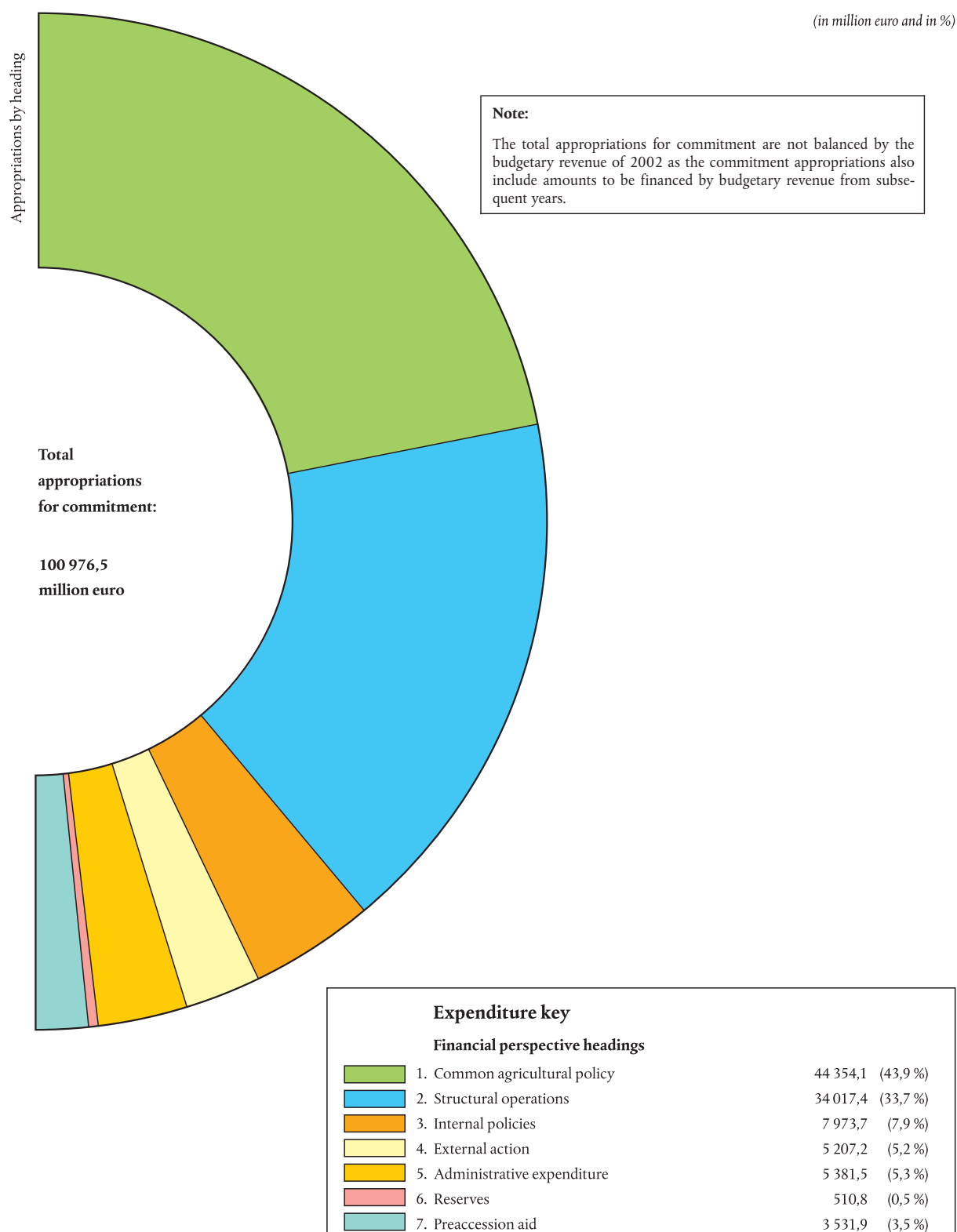


Diagram III

Appropriations for commitment available in 2002 and utilisation thereof, by financial perspective heading

(million euro and %)

Financial perspective headings and sectors [the sections (s), sub-sections (ss), titles (T), and chapters (Ch.) corresponding to the 2002 budgetary nomenclature are shown in brackets]	Financial perspective	Final appropriations		Utilisation of appropriations				
		Amount ⁽¹⁾	Rate (%)	Commit. made in 2002	Utilisation rate (%)	Carry-overs to 2003 ⁽²⁾	Cancellations	Rate (%)
		(a)	(b)/(a)	(c)	(c)/(d)	(d)	(e) = (b) - (c) - (d)	(e)/(b)
1. Common agricultural policy	46 587	44 354,1	95,2	43 217,0	97,4	83,9	1 053,2	2,4
Markets		39 660,1		38 867,6	98,0	34,6	757,9	1,9
1.1 Arable crops (Ch. B1-10)		18 616,0		18 590,1	99,9	—	25,9	0,1
1.2 Sugar (Ch. B1-11)		1 401,0		1 395,9	99,6	—	5,1	0,4
1.3 Oils and fats and protein plants (Ch. B1-12 and 13)		2 733,0		2 717,6	99,4	—	15,4	0,6
1.4 Fruit and vegetables (Ch. B1-15)		1 570,0		1 551,4	98,8	—	18,6	1,2
1.5 Wine (Ch. B1-16)		1 392,0		1 348,7	96,9	—	43,3	3,1
1.6 Tobacco (Ch. B1-17)		983,0		963,2	98,0	—	19,8	2,0
1.7 Milk products (Ch. B1-20)		2 384,0		2 360,0	99,0	—	24,0	1,0
1.8 Meat, eggs, poultry (Ch. B1-21 to 23)		7 835,5		7 743,5	98,8	—	92,0	1,2
1.9 Various markets (Ch. B1-14 and B1-18)		1 141,0		1 119,3	98,1	—	21,7	1,9
1.10 Other operations (Ch. B1-26 to 39)		1 604,6		1 077,8	67,2	34,6	492,2	30,7
1.11 Rural development (T. B1-4)		4 694,0		4 349,4	92,7	49,3	295,3	6,3
2. Structural operations	32 768	34 017,4	103,8	34 011,7	100,0	1,4	4,2	0,0
Structural Funds		31 040,1	⁽¹⁾	31 035,3	100,0	1,4	3,4	0,0
2.1 Objective 1 (Ch. B2-10)		21 336,5		21 335,3	100,0	0,0	1,1	0,0
2.2 Objective 2 (Ch. B2-11)		3 731,3		3 731,3	100,0	—	—	—
2.3 Objective 3 (Ch. B2-12)		3 646,0		3 646,0	100,0	—	0,0	0,0
2.4 Other structural measures (Ch. B2-13)		173,5		173,5	100,0	—	—	—
2.5 Community initiatives (Ch. B2-14)		1 966,2		1 965,7	100,0	0,4	0,1	0,0
2.6 Innovative measures and technical assistance (Ch. B2-16)		186,5		183,4	98,3	1,0	2,1	1,1
2.7 Other specific structural operations (T. B2-2)		185,0		185,0	100,0	—	—	—
2.8 Cohesion Fund (T. B2-3)		2 792,3		2 791,5	100,0	—	0,8	0,0
3. Internal policies	6 558	7 973,7	121,6	7 614,0	95,5	213,2	146,5	1,8
3.1 Research and technological development (ss. B6)		4 685,7	⁽¹⁾	4 519,8	96,5	153,9	11,9	0,3
3.2 Other structural operations (T. B2-4 to 9)		762,7	⁽³⁾	752,5	98,7	0,0	10,1	1,3
3.3 Training, youth and social operations (ss. B3)		1 064,3		971,1	91,2	42,6	50,5	4,7
3.4 Energy, Euratom and environment (ss. B4)		268,5		264,4	98,5	2,6	1,5	0,6
3.5 Consumers, internal market, industry and networks (ss. B5)		1 192,5		1 106,1	92,8	14,0	72,3	6,1
4. External action	4 873	5 207,2	106,9	5 085,3	97,7	71,4	50,4	1,0
4.1 Food aid (T. B7-2)		1 034,2	⁽¹⁾	1 026,3	99,2	0,1	7,9	0,8
4.2 Cooperation (T. B7-3 to B7-5)		3 161,7		3 081,0	97,4	50,1	30,5	1,0
4.3 Other cooperation measures (T. B7-6)		439,4		429,3	97,7	3,1	7,0	1,6
4.4 Initiative for democracy and human rights (T. B7-7)		104,0		103,7	99,7	0,0	0,3	0,3
4.5 External aspects of community policies (T. B7-8)		286,0		264,3	92,4	18,1	3,6	1,3
4.6 Preaccession strategy for the Mediterranean countries (Ch. B7-04 and 5)		149,0		147,9	99,3	0,0	1,1	0,7
4.7 Common foreign and security policy (ss. B8)		32,8		32,8	100,0	—	0,0	0,0
5. Administrative expenditure	5 012	5 381,5	107,4	5 272,3	98,0	74,3	34,9	0,6
5.1 Parliament (s. I)		1 053,5	⁽¹⁾	1 008,8	95,7	32,7	12,1	1,1
5.2 Council (s. II)		417,7		405,5	97,1	11,3	1,0	0,2
5.3 Commission (s. III)		3 546,5		3 502,0	98,7	28,7	15,8	0,4
5.4 Court of Justice (s. IV)		147,6		145,3	98,4	1,0	1,3	0,9
5.5 Court of Auditors (s. V)		83,9		82,2	98,0	0,1	1,6	1,9
5.6 Economic and Social Committee (s. VI)		80,7		78,4	97,1	0,4	1,9	2,4
5.7 Committee of the Regions (s. VII)		47,6		46,4	97,5	0,1	1,1	2,3
5.8 European Ombudsman and European Data-protection Supervisor (s. VIII)		3,9		3,7	96,7	—	0,1	3,3
6. Reserves	676	510,8	75,6	170,5	33,4	8,8	331,5	64,9
6.1 Monetary reserve (T. B1-6)		250,0		—	—	—	250,0	100,0
6.2 Guarantee reserve (Ch. B0-23 and 24)		221,8		170,5	76,9	8,8	42,5	19,2
6.3 Emergency aid reserve (Ch. B7-91)		39,0		—	—	—	39,0	100,0
7. Preaccession aid	3 328	3 531,9	106,1	3 503,9	99,2	21,9	6,2	0,2
7.1 Sapard (Ch. B7-01)		555,0	⁽¹⁾	554,6	99,9	—	0,4	0,1
7.2 ISPA (Ch. B7-02)		1 109,1		1 109,0	100,0	0,0	0,0	0,0
7.3 Phare (preaccession) (Ch. B7-03)		1 738,9		1 711,3	98,4	21,8	5,7	0,3
7.4 EU Solidarity Fund (Ch. B7-09)		129,0		129,0	100,0	—	—	—
8. Reserves and provisions (T. B0-4)		—		—	—	—	—	—
Grandtotalforappropriationsforcommitment	99 802	100 976,5	101,2 ⁽¹⁾	98 874,7	97,9	474,9	1 626,9	1,6
Grandtotalforappropriationsforpayment	100 078	98 579,3	98,5	85 144,5	86,4	4 994,5	8 440,3	8,6

⁽¹⁾ Budget appropriations amended after taking account of CAs carried over from 2001 or made available again in 2002, revenue giving rise to reuse, appropriations corresponding to revenue in respect of services performed on behalf of outside bodies, non-automatic carryovers, transfers between budget headings and EFTA appropriations and financing from the EU Solidarity Fund. As a consequence the ceiling for some financial perspective headings is exceeded by the available appropriations.

⁽²⁾ Including appropriations still available relating to services performed on behalf of outside bodies.

⁽³⁾ Including the section of the EU Solidarity Fund destined for the Member States.

Diagram IV

Appropriations for payment available in 2002 and utilisation thereof, by financial perspective heading

(million euro and %)

Financial perspective headings and sectors [the sections (s), subsections (ss), titles (T) and chapters (Ch.) corresponding to the 2002 budgetary nomenclature are shown in brackets]	Final appropriations (¹)	Utilisation of appropriations				
		Payments made in 2002	Utilisation rate (%)	Carryovers to 2003	Cancellations	Rate (%)
	(a)	(b)	(b)/(a)	(c)	(d) = (a) - (b) - (c)	(d)/(a)
1. Common agricultural policy	44 940,0	43 520,6	96,8	315,1	1 104,4	2,5
Markets	40 246,0	39 171,2	97,3	265,8	809,1	2,0
1.1 Arable crops (Ch. B1-10)	18 616,0	18 590,1	99,9	—	25,9	0,1
1.2 Sugar (Ch. B1-11)	1 401,0	1 395,9	99,6	—	5,1	0,4
1.3 Oils and fats and protein plants (Ch. B1-12 and 13)	2 733,0	2 717,6	99,4	—	15,4	0,6
1.4 Fruit and vegetables (Ch. B1-15)	1 570,0	1 551,4	98,8	—	18,6	1,2
1.5 Wine (Ch. B1-16)	1 392,0	1 348,7	96,9	—	43,3	3,1
1.6 Tobacco (Ch. B1-17)	992,0	961,5	96,9	8,7	21,9	2,2
1.7 Milk products (Ch. B1-20)	2 384,0	2 360,0	99,0	—	24,0	1,0
1.8 Meat, eggs and poultry (Ch. B1-21 to 23)	7 835,5	7 743,5	98,8	—	92,0	1,2
1.9 Various markets (Ch. B1-14 and B1-18)	1 141,0	1 119,3	98,1	—	21,7	1,9
1.10 Other operations (Ch. B1-26 to 39)	2 181,5	1 383,1	63,4	257,1	541,3	24,8
1.11 Rural development (T. B1-4)	4 694,0	4 349,4	92,7	49,3	295,3	6,3
2. Structural operations	31 603,3	23 499,0	74,4	3 254,3	4 849,9	15,3
Structural Funds	28 416,3	20 312,0	71,5	3 254,3	4 849,9	17,1
2.1 Objective 1 (Ch. B2-10)	18 821,0	15 369,1	81,7	1 978,2	1 473,7	7,8
2.2 Objective 2 (Ch. B2-11)	3 405,0	1 641,2	48,2	217,2	1 546,6	45,4
2.3 Objective 3 (Ch. B2-12)	3 360,0	2 404,4	71,6	153,2	802,4	23,9
2.4 Other structural measures (Ch. B2-13)	380,0	155,0	40,8	30,7	194,3	51,1
2.5 Community initiatives (Ch. B2-14)	2 205,0	556,5	25,2	874,8	773,7	35,1
2.6 Innovative measures and technical assistance (Ch. B2-16)	245,2	185,8	75,8	0,2	59,2	24,1
2.7 Other specific structural operations (T. B2-2)	39,0	39,0	100,0	—	—	—
2.8 Cohesion Fund (T. B2-3)	3 148,0	3 148,0	100,0	—	0,0	0,0
3. Internal policies	7 956,8	6 566,7	82,5	749,6	640,6	8,1
3.1 Research and technological development (ss. B6)	4 521,1	3 667,2	81,1	549,0	304,9	6,7
3.2 Other structural operations (T. B2-4 to 9)	771,6 (²)	732,2	94,9	5,5	33,9	4,4
3.3 Training, youth and social operations (ss. B3)	1 121,3	930,1	82,9	98,1	93,1	8,3
3.4 Energy, Euratom and environment (ss. B4)	221,9	197,5	89,0	8,2	16,2	7,3
3.5 Consumers, internal market, industry and networks (ss. B5)	1 320,9	1 039,6	78,7	88,8	192,5	14,6
4. External action	4 969,8	4 423,7	89,0	68,3	477,8	9,6
4.1 Food aid (T. B7-2)	963,7	890,5	92,4	0,1	73,1	7,6
4.2 Cooperation (T. B7-3 to B7-5)	3 080,1	2 751,5	89,3	40,4	288,2	9,4
4.3 Other cooperation measures (T. B7-6)	463,8	387,3	83,5	9,6	66,8	14,4
4.4 Initiatives for democracy and human rights (T. B7-7)	103,8	93,8	90,4	0,0	10,0	9,6
4.5 External aspects of community policies (T. B7-8)	293,4	250,7	85,5	18,1	24,6	8,4
4.6 Preaccession strategy for the Mediterranean countries (Ch. B7-04 and 5)	29,0	18,9	65,1	0,0	10,1	34,9
4.7 Common foreign and security policy (ss. B8)	36,0	30,9	85,8	—	5,1	14,2
5. Administrative expenditure	5 856,6	5 211,6	89,0	548,0	97,0	1,7
5.1 Parliament (s. I)	1 190,2	1 034,7	86,9	133,0	22,4	1,9
5.2 Council (s. II)	471,5	393,6	83,5	69,1	8,8	1,9
5.3 Commission (sec. III)	3 806,6	3 438,1	90,3	311,6	57,0	1,5
5.4 Court of Justice (s. IV)	155,6	145,5	93,5	7,8	2,4	1,5
5.5 Court of Auditors (s. V)	94,6	76,2	80,5	16,6	1,8	1,9
5.6 Economic and Social Committee (s. VI)	84,5	75,8	89,7	5,8	2,9	3,5
5.7 Committee of the Regions (s. VII)	49,3	44,1	89,4	3,8	1,5	3,0
5.8 European Ombudsman and European Data-protection Supervisor (s. VIII)	4,3	3,7	85,7	0,4	0,2	4,2
6. Reserves	651,8	170,5	26,2	8,8	472,5	72,5
6.1 Monetary reserve (T. B1-6)	250,0	—	—	—	250,0	100,0
6.2 Guarantee reserve (Ch. B0-23 and 24)	221,8	170,5	76,9	8,8	42,5	19,2
6.3 Emergency aid reserve (Ch. B7-91)	180,0	—	—	—	180,0	100,0
7. Preaccession aid	2 600,9	1 752,4	67,4	50,5	798,0	30,7
7.1 Sapard (Ch. B7-01)	370,0	123,9	33,5	—	246,1	66,5
7.2 ISPA (Ch. B7-02)	506,4	398,4	78,7	0,0	108,0	21,3
7.3 Phare (preaccession) (Ch. B7-03)	1 595,5	1 101,2	69,0	50,4	443,9	27,8
7.4 EU Solidarity Fund (Ch. B7-09)	129,0	129,0	100,0	—	—	—
8. Reserves and provisions (T. B0-4)	—	—	—	—	—	—
Grandtotal	98 579,3	85 144,5	86,4	4 994,5 (³)	8 440,3	8,6

(¹) Budget appropriations amended after taking account of transfers between budget headings; revenue in respect of services performed on behalf of outside bodies, appropriations made available again following the refunding of payments on account and appropriations carried over from the previous financial year.

(²) Including the section of the EU Solidarity Fund destined for the Member States.

(³) See point 1.35.

Diagram V
Own resources in 2002, by Member State

Actual revenue

(in million euro and in %)

	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK (1)	EU-15
— Traditional own resources	888,5	148,6	1 964,6	121,6	585,3	949,6	85,1	868,1	10,1	961,1	182,2	85,5	64,2	232,3	2 067,1	9 214,0
— VAT resources	513,6	418,2	4 760,1	365,6	1 829,3	4 012,1	281,6	2 719,0	51,8	1 155,2	553,7	335,1	289,1	565,0	4 538,7	22 388,2
— GNP resources	1 335,7	893,1	10 504,5	704,8	3 430,7	7 684,7	537,5	6 390,4	100,7	2 264,9	1 070,0	635,9	693,5	1 220,7	8 480,5	45 947,6
— United Kingdom correction	280,0	196,2	353,0	145,5	705,8	1 505,9	114,6	1 301,9	21,3	86,3	34,5	130,8	137,8	68,1	— 4 933,5	148,2
TOTAL	3 017,9 3,9 %	1 656,1 2,1 %	17 582,2 22,6 %	1 337,5 1,7 %	6 551,2 8,4 %	14 152,3 18,2 %	1 018,8 1,3 %	11 279,5 14,5 %	183,8 0,2 %	4 467,4 5,7 %	1 840,5 2,4 %	1 187,3 1,5 %	1 184,5 1,5 %	2 086,2 2,7 %	10 152,8 13,1 %	77 698,0 100,0 %

(1) For the United Kingdom a correction (4 933,5 million euro) is applied to the gross amount of own resources (15 086,3 million euro). The financing of this adjustment is borne by the other Member States. This correction was solely assigned to the VAT and GNP elements of gross own resources in accordance with their respective amounts.

Diagram VI
Payments made in 2002, in each Member State ⁽¹⁾

Note: Payments made in 2002 = payments against 2002 operating appropriations plus payments against carryovers from 2001.

Financial perspective headings

(in million euro and in %)

	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	Miscellaneous ⁽²⁾	Total
— Common agricultural policy	949,0	1 223,4	6 812,7	2 637,2	5 959,7	9 781,5	1 724,4	5 695,1	38,3	1 177,5	1 092,1	768,6	838,8	817,6	4 003,3	1,0	43 520,6
— Structural operations	245,3	60,3	3 413,8	1 825,4	8 832,2	1 273,7	757,4	1 813,7	9,5	55,0	185,9	2 993,8	222,6	237,9	1 320,0	252,7	23 499,0
— Internal policies	562,1	132,3	1 202,8	1 52,4	325,4	593,7	80,2	466,5	78,5	270,3	246,0	77,0	105,0	135,1	610,5	1 528,9	6 566,7
— External action	29,5	1,1	14,6	1,5	9,3	6,3	0,8	34,1	0,1	4,4	1,4	0,3	0,6	0,8	18,3	4 300,6	4 423,7
— Reserves	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	170,5	170,5
— Preaccession aid	1,3	0,1	0,8	0,0	0,4	0,9	0,0	3,5	5,3	1,9	0,0	—	0,0	0,0	7,6	1 730,5	1 752,4
TOTAL	1 787,3 2,2 %	1 417,2 1,8 %	11 444,7 14,3 %	4 616,5 5,8 %	15 127,1 18,9 %	11 656,1 14,6 %	2 562,8 3,2 %	8 012,9 10,0 %	131,7 0,2 %	1 509,1 1,9 %	1 525,4 1,9 %	3 839,7 4,8 %	1 167,0 1,5 %	1 191,4 1,5 %	5 959,8 7,5 %	7 984,2 10,0 %	79 932,9 100,0 %

⁽¹⁾ The geographical breakdown is not by payments made to the Member States, but by expenditure allocation according to the data in the Commission's computerised accounting system Sincom2.

⁽²⁾ The amounts under 'Miscellaneous' include mainly expenditure related to the projects implemented outside the Union and participation by third countries. Expenditure in respect of which the geographical distribution could not be made is also included.

Diagram VII
Movement and utilisation of appropriations for payment for the period 1998 to 2002, by financial perspective heading

Financial perspective heading

(in million euro and in %)

Headings	1998		1999		2000		2001		2002	
	Available appropriations ⁽¹⁾	Payments made	Available appropriations ⁽¹⁾	Payments made	Available appropriations ⁽¹⁾	Payments made	Available appropriations ⁽¹⁾	Payments made	Available appropriations ⁽¹⁾	Payments made
— Common agricultural policy	39 941,4	38 810,0	40 451,7	39 780,3	40 822,3	40 505,9	44 076,0	41 533,9	44 940,0	43 520,6
— Structural operations	28 643,4	28 366,0	30 657,7	26 663,6	35 579,8	27 590,8	32 994,8	22 455,8	31 603,3	23 499,0
— Internal policies	5 246,8	4 878,5	5 243,0	4 473,1	6 416,1	5 360,8	6 485,4	5 303,1	7 956,8	6 566,7
— External aid	4 515,6	4 067,7	5 091,8	4 585,8	4 201,5	3 841,0	4 919,3	4 230,6	4 969,8	4 423,7
— Administrative expenditure	4 941,0	4 219,4	5 090,9	4 506,7	5 173,5	4 643,0	5 506,6	4 855,1	5 856,6	5 211,6
— Reserves	1 154,0	272,4	846,0	300,1	1 036,0	186,3	876,0	207,2	651,8	170,5
— Preaccession aid ⁽²⁾	99,0	99,0	0,0	0,0	1 579,4	1 203,4	2 302,2	1 401,7	2 600,9	1 752,4
TOTAL	84 541,2	80 713,0	87 381,1	80 309,5	94 808,6	83 331,1	97 160,3	79 987,4	98 579,3	85 144,5

⁽¹⁾ Available appropriations = appropriations for payment of the financial year + appropriations carried over from the previous financial year.

⁽²⁾ For the period 1993 to 1999, heading 7 covers compensation paid to the new Member States. For the period 2000 to 2006, it covers preaccession aid.

ANNEX II

Reports and opinions adopted by the Court of Auditors during the last five years

The Court of Auditors is required by the terms of the Treaties to produce an annual report. It is also required, by the Treaties and other legislation at present in force, to produce special annual reports on certain Community bodies and activities. The Treaties also give the

Court the power to submit observations on specific questions and to deliver opinions at the request of one of the institutions. The reports and opinions adopted by the Court during the last five years are listed below.

Title	Publication
Annual Reports and Statements of Assurance	
Twenty-first annual report concerning the financial year 1997: — Report and Statement of Assurance on the activities financed from the general budget — Report and Statement of Assurance on the activities of the sixth and seventh EDFs	OJ C 349, 17.11.1998
Twenty-second annual report concerning the financial year 1998: — Report and Statement of Assurance on the activities financed from the general budget — Report and Statement of Assurance on the activities of the sixth, seventh and eighth EDFs	OJ C 349, 3.12.1999
Twenty-third annual report concerning the financial year 1999: — Report and Statement of Assurance on the activities financed from the general budget — Report and Statement of Assurance on the activities of the sixth, seventh and eighth EDFs	OJ C 342, 1.12.2000
Twenty-fourth annual report concerning the financial year 2000: — Report and Statement of Assurance on the activities financed from the general budget — Report and Statement of Assurance on the activities of the sixth, seventh and eighth EDFs	OJ C 359, 15.12.2001, OJ C 92, 17.4.2002 and OJ C 36, 15.2.2003
Twenty-fifth annual report concerning the financial year 2001: — Report and Statement of Assurance on the activities financed from the general budget — Report and Statement of Assurance on the activities of the sixth, seventh and eighth EDFs	OJ C 295, 28.11.2002
Twenty-sixth annual report concerning the financial year 2002: — Report and Statement of Assurance on the activities financed from the general budget — Report and Statement of Assurance on the activities of the sixth, seventh and eighth EDFs	Published in this OJ
Special Reports	
<i>Own resources</i>	
— Special Report No 6/98 concerning the assessment of the systems of resources based on VAT and GNP	OJ C 241, 31.7.1998
— Special Report No 9/98 concerning the protection of the financial interests of the European Union in the field of VAT on intra-Community trade	OJ C 356, 20.11.1998
— Special Report No 13/98 concerning the use of risk analysis techniques in customs control and the clearance of goods	OJ C 375, 3.12.1998

Title	Publication
— Special Report No 8/99 on securities and guarantees provided for in the Community Customs Code to protect the collection of traditional own resources	OJ C 70, 10.3.2000
— Special Report No 17/2000 on the Commission's control of the reliability and comparability of the Member States GNP data	OJ C 336, 27.11.2000
— Special Report No 23/2000 concerning valuation of imported goods for customs purposes (customs valuation)	OJ C 84, 14.3.2001
<i>Common Agricultural Policy</i>	
— Special Report No 2/98 on the Commission's Decisions of 23 April 1997 and 30 July 1997 on the clearance of accounts for 1993 of guarantee expenditure for agriculture of the European Agricultural Guidance and Guarantee Fund (EAGGF)	OJ C 121, 20.4.1998
— Special Report No 4/98 on importation at reduced rate of levy into the Community and disposal of New Zealand milk products and Swiss cheese	OJ C 127, 24.4.1998 and OJ C 191, 18.6.1998
— Special Report No 19/98 concerning the Community financing of certain measures taken as a result of the BSE crisis	OJ C 383, 9.12.1998
— Special Report No 20/98 on the audit of physical checks of agricultural products receiving export refunds	OJ C 375, 3.12.1998
— Special Report No 21/98 concerning the accreditation and certification procedure as applied to the 1996 clearance of accounts for EAGGF-Guarantee expenditure	OJ C 389, 14.12.1998
— Special Report No 1/99 concerning the aid for the use of skimmed milk and skimmed-milk powder as animal feed	OJ C 147, 27.5.1999
— Special Report No 2/99 on the effects of the CAP reform in the cereals sector	OJ C 192, 8.7.1999
— Special Report No 1/2000 on classical swine fever	OJ C 85, 23.3.2000
— Special Report No 8/2000 on the Community measures for the disposal of butterfat	OJ C 132, 12.5.2000
— Special Report No 11/2000 on the support scheme for olive oil	OJ C 215, 27.7.2000
— Special Report No 14/2000 on 'Greening the CAP'	OJ C 353, 8.12.2000
— Special Report No 20/2000 concerning the management of the common organisation of the market for sugar	OJ C 50, 15.2.2001
— Special Report No 22/2000 on evaluation of the reformed clearance of accounts procedure	OJ C 69, 2.3.2001
— Special Report No 4/2001 on the audit of the EAGGF — Guarantee — the implementation of the Integrated Administration and Control System (IACS)	OJ C 214, 31.7.2001
— Special Report No 6/2001 on milk quotas	OJ C 305, 30.10.2001
— Special Report No 7/2001 concerning export refunds — destination and placing on the market	OJ C 314, 8.11.2001
— Special Report No 8/2001 concerning refunds for the production of potato and cereal starch and potato starch aid	OJ C 294, 19.10.2001
— Special Report No 14/2001 Follow-up to Special Report No 19/98 on BSE	OJ C 324, 20.11.2001
— Special Report No 5/2002 on extensification premium and payment schemes in the common organisation of the market for beef and veal	OJ C 290, 25.11.2002
— Special Report No 6/2002 on the audit of the Commission's management of the EU oilseeds support scheme	OJ C 254, 22.10.2002
— Special Report No 7/2002 on the sound financial management of the common organisation of markets in the banana sector	OJ C 294, 28.11.2002

Title	Publication
— Special Report No 1/2003 concerning the prefinancing of export refunds	OJ C 98, 24.4.2003
— Special Report No 4/2003 concerning rural development: support for less-favoured areas	OJ C 151, 27.6.2003
— Special Report No 9/2003 concerning the system for setting the rates of subsidy on exports of agricultural products (export refunds)	OJ C 211, 5.9.2003
— Special Report No 12/2003 on the sound financial management of the common organisation of the market in dried fodder	In publication
— Special Report No 13/2003 on production aid for cotton	In publication
<i>Structural measures</i>	
— Special Report No 3/98 concerning the implementation by the Commission of EU policy and action as regards water pollution	OJ C 191, 18.6.1998
— Special Report No 12/98 on the implementation of the operational programmes relating to the promotion of rural development in the Objective 5b areas	OJ C 356, 20.11.1998
— Special Report No 14/98 on the closure of the forms of ERDF assistance	OJ C 368, 27.11.1998
— Special Report No 15/98 on the assessment of Structural Fund interventions for the 1989-1993 and 1994-1999 periods	OJ C 347, 16.11.1998
— Special Report No 16/98 on the implementation of appropriations for structural operations for the programming period 1994-1999	OJ C 347, 16.11.1998
— Special Report No 18/98 concerning the Community measures to encourage the creation of joint enterprises in the fisheries sector	OJ C 393, 16.12.1998
— Special Report No 22/98 concerning the management by the Commission of the implementation of measures to promote equal opportunities for women and men	OJ C 393, 16.12.1998
— Special Report No 6/99 concerning the principle of additionality	OJ C 68, 9.3.2000
— Special Report No 7/99 concerning the development of industrial sites	OJ C 68, 9.3.2000
— Special Report No 3/2000 on the European Social Fund and the European Agricultural Guidance and Guarantee Fund (Guidance Section) — Measures to assist the employment of young persons	OJ C 100, 7.4.2000
— Special Report No 7/2000 on the International Fund for Ireland and the Special Support Programme for Peace and Reconciliation in Northern Ireland and the border counties of Ireland (1995-1999)	OJ C 146, 25.5.2000
— Special Report No 15/2000 on the Cohesion Fund	OJ C 279, 2.10.2000
— Special Report No 1/2001 concerning the URBAN Community Initiative	OJ C 124, 25.4.2001
— Special Report No 10/2001 concerning the Financial Control of the Structural Funds, Commission Regulations (EC) No 2064/97 and (EC) No 1681/94	OJ C 314, 8.11.2001
— Special Report No 12/2001 concerning certain structural measures to improve the employment situation: the impact of ERDF aid on employment and ESF measures to combat long-term unemployment	OJ C 334, 28.11.2001
— Special Report No 3/2002 concerning the Community Initiative Employment — Integra	OJ C 263, 29.10.2002
— Special Report No 4/2002 on local actions for employment	OJ C 263, 29.10.2002
— Special Report No 7/2003 on the implementation of assistance programming for the period 2000 to 2006 within the framework of the Structural Funds	OJ C 174, 23.7.2003
<i>Internal policies</i>	
— Special Report No 17/98 on support for renewable energy sources in the shared-cost actions of the JOULE-Thermie programme and the pilot actions of the Altener programme	OJ C 356, 20.11.1998
— Special Report No 23/98 concerning the information and communication measures managed by the Commission	OJ C 393, 16.12.1998

Title	Publication
— Special Report No 9/99 concerning research activities in the field of agriculture and fisheries (FAIR programme — Fisheries, Agriculture and Agro-Industrial Research)	OJ C 92, 30.3.2000
— Special Report No 9/2000 concerning trans-European-networks (TEN) — telecommunications	OJ C 166, 15.6.2000
— Special Report No 10/2000 on the public contracts awarded by the Joint Research Centre	OJ C 172, 21.6.2000
— Special Report No 9/2001 on the training and mobility of researchers programme	OJ C 349, 10.12.2001
— Special Report No 2/2002 on the Socrates and Youth for Europe Community action programmes	OJ C 136, 7.6.2002
— Special Report No 11/2003 concerning the Financial Instrument for the Environment (LIFE)	In publication
<i>External action</i>	
— Special Report No 1/98 in respect of bilateral financial and technical cooperation with non-member Mediterranean countries	OJ C 98, 31.3.1998
— Special Report No 5/98 on reconstruction in former Yugoslavia (period 1996-1997)	OJ C 241, 31.7.1998
— Special Report No 7/98 in respect of the European Community development aid programme regarding South Africa (1986-1996)	OJ C 241, 31.7.1998
— Special Report No 11/98 concerning the development of the PHARE and TACIS private sector for the 1991-1996 period (programmes in support of SMEs, regional development and the reorganisation of businesses)	OJ C 335, 3.11.1998
— Special Report No 24/98 concerning risk capital operations financed from the resources of the European Development Funds	OJ C 389, 14.12.1998
— Special Report No 25/98 concerning operations undertaken by the European Union in the field of nuclear safety in central and eastern Europe (CEEC) and in the new independent States (NIS) (1990 to 1997 period)	OJ C 35, 9.2.1999
— Special Report No 4/99 concerning financial aid to the overseas countries and territories under the sixth and seventh EDFs	OJ C 276, 29.9.1999
— Special Report No 5/99 concerning Phare cross-border cooperation (1994 to 1998)	OJ C 48, 21.2.2000
— Special Report No 2/2000 on aid given by the European Union to Bosnia-Herzegovina with a view to restoring peace and the rule of law	OJ C 85, 23.3.2000
— Special Report No 4/2000 on rehabilitation actions for ACP countries as an instrument to prepare for normal development aid	OJ C 113, 19.4.2000
— Special Report No 12/2000 on the management by the Commission of the European Union support for the development of human rights and democracy in third countries	OJ C 230, 10.8.2000
— Special Report No 16/2000 on tendering procedures for service contracts under the Phare and Tacis programmes	OJ C 350, 6.12.2000
— Special Report No 18/2000 concerning the programme to supply agricultural products to the Russian Federation	OJ C 25, 25.1.2001
— Special Report No 19/2000 on the management by the Commission of the programme of assistance to Palestinian society	OJ C 32, 31.1.2001
— Special Report No 21/2000 on the management of the Commission's external aid programmes (in particular on country programming, project preparation and the role of Delegations)	OJ C 57, 22.2.2001
— Special Report No 2/2001 concerning the management of emergency humanitarian aid for the victims of the Kosovo crisis (ECHO)	OJ C 168, 12.6.2001 and OJ C 159, 3.7.2002
— Special Report No 3/2001 concerning the Commission's management of the International Fisheries Agreements	OJ C 210, 27.7.2001

Title	Publication
— Special Report No 5/2001 on counterpart funds from structural adjustment support earmarked for budget aid (seventh and eighth EDFs)	OJ C 257, 14.9.2001
— Special Report No 11/2001 concerning the Tacis cross-border cooperation programme	OJ C 329, 23.11.2001
— Special Report No 13/2001 on the management of the Common Foreign and Security Policy (CFSP)	OJ C 338, 30.11.2001
— Special Report No 1/2002 concerning macrofinancial assistance (MFA) to third countries and structural adjustment facilities (SAF) in the Mediterranean countries	OJ C 121, 23.5.2002
— Special Report No 2/2003 on the implementation of the food security policy in developing countries financed by the general budget of the European Union	OJ C 93, 17.4.2003
— Special Report No 5/2003 concerning PHARE and ISPA funding of environmental projects in the candidate countries	OJ C 167, 17.7.2003
— Special Report No 6/2003 concerning twinning as the main instrument to support institution-building in candidate countries	OJ C 167, 17.7.2003
— Special Report No 8/2003 concerning the execution of infrastructure work financed by the EDF	OJ C 181, 31.7.2003
— Special Report No 10/2003 concerning the effectiveness of the Commission's management of development assistance to India in targeting the poor and ensuring sustainable benefits	OJ C 211, 5.9.2003
<i>Administrative expenditure</i>	
— Special Report No 8/98 concerning the Commission departments specifically involved in the fight against fraud, notably the Unit for the Coordination of Fraud Prevention (UCLAF)	OJ C 230, 22.7.1998
— Special Report No 10/98 concerning the expenses and allowances of the Members of the European Parliament	OJ C 243, 3.8.1998
— Special Report No 5/2000 on the Court of Justice's expenditure on buildings (annexe buildings Erasmus, Thomas More and Annexe C)	OJ C 109, 14.4.2000
— Special Report No 13/2000 on the expenditure of the European Parliament's political groups	OJ C 181, 28.6.2000
— Special Report No 3/2003 on the invalidity pensions scheme of the European institutions	OJ C 109, 7.5.2003
<i>Financial instruments and banking activities</i>	
— Special Report No 3/99 on the management and control of interest rate subsidies by the Commission	OJ C 217, 29.7.1999
— Special Report No 6/2000 concerning the granting by the Community of interest subsidies on loans by the European Investment Bank to small and medium-sized enterprises, through its temporary lending facility	OJ C 152, 31.5.2000
Special Annual Reports	
<i>Financial statements of the ECSC</i>	
— Report on the financial statements of the European Coal and Steel Community at 31 December 1997	OJ C 255, 13.8.1998
— Report on the financial statements of the ECSC at 31 December 1998	OJ C 240, 25.8.1999
— Report on the financial statements of the ECSC at 31 December 1999	OJ C 281, 4.10.2000
— Report on the financial statements of the ECSC at 31 December 2000	OJ C 185, 30.6.2001 and OJ C 363, 19.12.2001
— Report on the financial statements of the ECSC at 31 December 2001	OJ C 158, 3.7.2002
— Report on the financial statements of the ECSC at 23 July 2002	OJ C 127, 29.5.2003

Title	Publication
<i>ECSC annual report</i>	
— Annual Report on the ECSC for the financial year 1997	OJ C 352, 18.11.1998
— Annual Report on the ECSC for the financial year 1998	OJ C 338, 25.11.1999
— Annual Report on the ECSC for the financial year 1999	OJ C 347, 4.12.2000
— Annual Report concerning the ECSC for the financial year 2000	OJ C 366, 20.12.2001
— Annual Report and Statement of Assurance concerning the ECSC for the financial year 2001	OJ C 302, 5.12.2002
— Annual Report and Statement of Assurance concerning the ECSC for the financial year ended 23 July 2002	OJ C 224, 19.9.2003
<i>Euratom Supply Agency</i>	
— Report on the 1997 accounts of the Euratom Supply Agency	Not published in OJ
— Report on the 1998 accounts of the Euratom Supply Agency	Not published in OJ
— Report on the financial statements of the Euratom Supply Agency for the financial year 1999	Not published in OJ
— Report on the financial statements of the Euratom Supply Agency for the financial year ended 31 December 2000	Not published in OJ
— Report on the financial statements of the Euratom Supply Agency for the financial year 2001	Not published in OJ
<i>Joint European Torus (JET)</i>	
— Report on the 1997 JET financial statements	Not published in OJ
— Report on the 1998 JET financial statements	Not published in OJ
— Report on the 1999 accounts of the JET joint undertaking	Not published in OJ
— Report on the 2000 accounts of the JET joint undertaking	Not published in OJ
— Report on the 2001 final accounts of the JET joint undertaking	Not published in OJ
<i>European Foundation for the Improvement of Living and Working Conditions (Dublin Foundation)</i>	
— Report on the financial statements and management of the European Foundation for the Improvement of Living and Working Conditions (Dublin Foundation) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements of the European Foundation for the Improvement of Living and Working Conditions (Dublin Foundation) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the financial statements of the European Foundation for the Improvement of Living and Working Conditions (Dublin Foundation) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Foundation for the Improvement of Living and Working Conditions (Dublin Foundation) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2001	OJ C 326, 27.12.2002
<i>European Centre for the Development of Vocational Training (Cedefop, Thessalonica)</i>	
— Report on the financial statements and management of the European Centre for the Development of Vocational Training (Cedefop, Thessalonica) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998

Title	Publication
— Report on the financial statements of the European Centre for the Development of Vocational Training (Cedefop, Thessalonica) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the financial statements of the European Centre for the Development of Vocational Training (Cedefop, Thessalonica) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Centre for the Development of Vocational Training (Cedefop, Thessalonica) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Centre for the Development of Vocational Training for the financial year 2001	OJ C 326, 27.12.2002
<i>European Schools</i>	
— Report on the accounts of the European Schools for the financial year 1997	Not published in OJ
— Report on the accounts of the European Schools for the financial year 1998	Not published in OJ
— Report on the financial statements of the European Schools for the financial year ended 31 December 1999	Not published in OJ
— Report on the financial statements of the European Schools for the financial year ended 31 December 2000	Not published in OJ
— Report on the financial statements of the European Schools for the financial year 2001	Not published in OJ
<i>European Monetary Institute and European Central Bank</i>	
— Report on the operational efficiency of the management of the European Monetary Institute for the financial year 1997	OJ C 164, 10.6.1999
— Report on the operational efficiency of the management of the European Monetary Institute and the European Central Bank for the financial year 1998	OJ C 133, 12.5.2000
— Report on the audit of the operational efficiency of the management of the European Central Bank for the financial year 1999	OJ C 47, 13.2.2001
— Report on the audit of the operational efficiency of the management of the European Central Bank for the financial year 2000	OJ C 341, 4.12.2001
— Report on the audit of the operational efficiency of the management of the European Central Bank for the financial year 2001	OJ C 259, 25.10.2002
<i>Management of 'Schengen contracts'</i>	
— Special Annual Report on the financial statements relating to the management by the Secretary-General/High Representative of the Council of contracts concluded by him on behalf of certain Member States and concerning the installation and the functioning of the Help Desk Server of the Management Unit and of the Sirene network Phase II ('Schengen contracts') for the period 3 May to 31 December 1999	Not published in OJ
— Special Annual Report on the financial statements relating to the management by the Secretary-General/High Representative of the Council of contracts concluded by him on behalf of certain Member States and concerning the installation and the functioning of the Help Desk Server of the Management Unit and of the Sirene Network Phase II ('Schengen contracts') for the financial year ended 31 December 2000	Not published in OJ
— Special Annual Report on the financial statements relating to the management by the Secretary-General/High Representative of the Council of contracts concluded by him on behalf of certain Member States and concerning the installation and the functioning of the Help Desk Server of the Management Unit and of the Sirene Network Phase II ('Schengen contracts') for the financial year ended 31 December 2001	Not published in OJ
— Special Annual Report on the 2002 financial statements relating to the 'Schengen contracts'	Not published in OJ

Title	Publication
<i>Management of 'Sisnet contracts'</i>	
— Special Annual Report on the financial statements in respect of the management, by the Deputy Secretary-General of the Council, of contracts concluded in his name on behalf of certain Member States, relating to the installation and the functioning of the communication infrastructure for the Schengen environment, known as 'Sisnet', for the financial year ended 31 December 2000	Not published in OJ
— Special Annual Report on the financial statements in respect of the management, by the Deputy Secretary-General of the Council, of contracts concluded in his name on behalf of certain Member States, relating to the installation and the functioning of the communication infrastructure for the Schengen environment, known as 'Sisnet', for the financial year ended 31 December 2001	Not published in OJ
— Special Annual Report on the 2002 financial statements relating to 'Sisnet'	Not published in OJ
<i>Community Plant Variety Office (CPVO-Angers)</i>	
— Report on the financial statements of the Community Plant Variety Office (CPVO-Angers) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements of the Community Plant Variety Office (CPVO-Angers) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the financial statements of the Community Plant Variety Office (CPVO-Angers) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the Community Plant Variety Office (CPVO-Angers) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the Community Plant Variety Office for the financial year 2001	OJ C 326, 27.12.2002
<i>Office for Harmonisation in the Internal Market (OHIM-Alicante)</i>	
— Report on the financial statements of the Office for Harmonisation in the Internal Market (OHIM-Alicante) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements of the Office for Harmonisation in the Internal Market (OHIM-Alicante) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the financial statements of the Office for Harmonisation in the Internal Market (OHIM-Alicante) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the Office for Harmonisation in the Internal Market (OHIM-Alicante) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the Office for Harmonisation in the Internal Market for the financial year 2001	OJ C 326, 27.12.2002
<i>European Agency for Safety and Health at Work (EASH-Bilbao)</i>	
— Report on the financial statements of the European Agency for Safety and Health at Work (EASH-Bilbao) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements of the European Agency for Safety and Health at Work (EASH-Bilbao) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the financial statements of the European Agency for Safety and Health at Work (EASH-Bilbao) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Agency for Safety and Health at Work (EASH-Bilbao) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Agency for Safety and Health at Work for the financial year 2001	OJ C 326, 27.12.2002
<i>European Environment Agency (EEA-Copenhagen)</i>	
— Report on the financial statements of the European Environment Agency (EEA-Copenhagen) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements of the European Environment Agency (EEA-Copenhagen) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999

Title	Publication
— Report on the financial statements of the European Environment Agency (EEA-Copenhagen) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Environment Agency (EEA-Copenhagen) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Environment Agency for the financial year 2001	OJ C 326, 27.12.2002
<i>European Monitoring Centre for Drugs and Drug Addiction (EMCDDA-Lisbon)</i>	
— Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA-Lisbon) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA-Lisbon) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA-Lisbon) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA-Lisbon) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction for the financial year 2001	OJ C 326, 27.12.2002
<i>European Agency for the Evaluation of Medicinal Products (EAEMP-London)</i>	
— Report on the financial statements of the European Agency for the Evaluation of Medicinal Products (EAEMP-London) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements of the European Agency for the Evaluation of Medicinal Products (EAEMP-London) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the financial statements of the European Agency for the Evaluation of Medicinal Products (EAEMP-London) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Agency for the Evaluation of Medicinal Products (EAEMP-London) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Agency for the Evaluation of Medicinal Products concerning the financial year 2001	OJ C 326, 27.12.2002
<i>Translation Centre for Bodies of the European Union (TCBEU-Luxembourg)</i>	
— Report on the financial statements of the Translation Centre for Bodies of the European Union (TCBEU-Luxembourg) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements of the Translation Centre for Bodies of the European Union (TCBEU-Luxembourg) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the financial statements of the Translation Centre for Bodies of the European Union (TCBEU-Luxembourg) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the Translation Centre for Bodies of the European Union (TCBEU-Luxembourg) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the Translation Centre for Bodies of the European Union for the financial year 2001	OJ C 326, 27.12.2002

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<i>European Training Foundation (ETF-Turin)</i>	
— Report on the financial statements of the European Training Foundation (ETF-Turin) for the financial year ended 31 December 1997	OJ C 406, 28.12.1998
— Report on the financial statements of the European Training Foundation (ETF-Turin) for the financial year ended 31 December 1998	OJ C 372, 22.12.1999
— Report on the financial statements of the European Training Foundation (ETF-Turin) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Training Foundation (ETF-Turin) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Training Foundation for the financial year 2001	OJ C 326, 27.12.2002
<i>European Monitoring Centre on Racism and Xenophobia (Vienna)</i>	
— Report on the financial statements of the European Monitoring Centre on Racism and Xenophobia (Vienna) (period from 1 May to 31 December 1998)	OJ C 372, 22.12.1999
— Report on the financial statements of the European Monitoring Centre on Racism and Xenophobia (Vienna) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Monitoring Centre on Racism and Xenophobia (Vienna) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Monitoring Centre on Racism and Xenophobia for the financial year 2001	OJ C 326, 27.12.2002
<i>European Agency for Reconstruction (Thessalonica)</i>	
— Report on the financial accounts of the European Agency for Reconstruction and the implementation of aid for Kosovo for the year 2000	OJ C 355, 13.12.2001
— Report on the financial statements of the European Agency for Reconstruction for the financial year 2001	OJ C 326, 27.12.2002
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— Report on the accounts drawn up by the Secretary-General of the Convention on the future of the European Union for the financial year 2002 (started on 21 February 2002 and ended on 31 December 2002)	OJ C 122, 22.5.2003

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— Opinion No 2/98 on a proposal for a Council Regulation (Euratom, ECSC, EC) amending Regulation (Euratom, ECSC, EEC) No 549/69 determining the categories of officials and other servants of the European Communities to whom the provisions of Article 12, the second paragraph of Article 13 and Article 14 of the Protocol on the Privileges and Immunities of the Communities apply	OJ C 191, 18.6.1998
— Opinion No 3/98 on the draft financial regulation applicable to the European Monitoring Centre for Racism and Xenophobia	Not published in OJ
— Opinion No 4/98 on a proposal for a Council Regulation (EC) amending Regulation (EEC, Euratom, ECSC) No 259/68 laying down the Staff Regulations of officials and the Conditions of Employment of Other Servants of the European Communities, and the other regulations applicable to them with regard to the establishment of remuneration, pensions and other financial entitlements in euro	Not published in OJ

Title	Publication
— Opinion No 5/98 on a proposal for a Council Regulation (EC) amending Regulation (EEC, Euratom, ECSC) No 259/68 laying down the Staff Regulations applicable to officials and the Conditions of Employment of Other Servants of the European Communities (subject: weighting)	Not published in OJ
— Opinion No 6/98 on a proposal for a Council Regulation (EC) amending Regulation (EEC, Euratom, ECSC) No 259/68 laying down the Staff Regulations applicable to officials and the Conditions of Employment of Other Servants of the European Communities (subject: parliamentary assistants)	Not published in OJ
— Opinion No 7/98 on the effectiveness of the methods of recovery applied by the ESC and on the new system introduced by the ESC for the administration and reimbursement of travel expenses	Not published in OJ
— Opinion No 8/98 on a proposal for a Council Regulation (EC) establishing an agrimonetary system denominated in euro (ref. 98/0214) and a proposal for a Council Regulation (EC) relating to transitional measures concerning the introduction of the use of the euro under the common agricultural policy (ref. 98/0215)	OJ C 368, 27.11.1998
— Opinion No 9/98 on the proposal for a Council Regulation (EC, ECSC, Euratom) amending the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities	OJ C 7, 11.1.1999
— Opinion No 10/98 on certain proposals for regulations within the Agenda 2000 framework	OJ C 401, 22.12.1998
— Opinion No 11/98 on a proposal for an amendment of Regulation No CB-1- 95 of 27 February 1996 of the Budget Committee of the Office for Harmonisation in the Internal Market (OHMI-Alicante) (Financial Regulation)	Not published in OJ
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— Opinion No 3/99 on an amended proposal for a Council Regulation (EC, ECSC, Euratom) amending the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities (proposal presented by the Commission in document COM(1998) 676 final of 20 November 1998)	OJ C 154, 1.6.1999
— Opinion No 4/99 on a proposal for an amendment to the Financial Regulation of the European Agency for Safety and Health at Work (Bilbao)	Not published in OJ
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— Opinion No 7/99 concerning a proposal to amend the Financial Regulation of the Translation Centre for Bodies of the European Union (Luxembourg)	Not published in OJ
— Opinion No 8/99 on a Council proposal for a decision concerning the European Union's system of own resources	OJ C 310, 28.10.1999
— Opinion No 9/99 on a proposal for a Council Regulation (EC) on budgetary discipline	OJ C 334, 23.11.1999
— Opinion No 1/2000 on a proposal for a Council Regulation amending the Financial Regulation of 21 December 1977 and separating the internal audit function from the <i>ex ante</i> financial control function (fifth paragraph of Article 24 of the Financial Regulation)	OJ C 327, 17.11.2000

Title	Publication
— Opinion No 2/2000 on a proposal to amend the Financial Regulation of the Community Plant Variety Office (Angers)	Not published in OJ
— Opinion No 1/2001 on a proposal for a Council Regulation amending Council Regulation (EC) No 1258/1999 on the financing of the common agricultural policy as well as various other regulations relating to the common agricultural policy	OJ C 55, 21.2.2001
— Opinion No 2/2001 on a proposal for a Council Regulation on the Financial Regulation applicable to the general budget of the European Communities	OJ C 162, 5.6.2001
— Opinion No 3/2001 on a proposal for a Council Regulation introducing special measures to terminate the service of officials of the Commission of the European Communities as part of the reform of the Commission	OJ C 162, 5.6.2001
— Opinion No 4/2001 on a proposal for a Council Regulation amending Regulation (Euratom, ECSC, EEC) No 549/69 determining the categories of officials and other servants of the European Communities to whom the provisions of Article 12, the second paragraph of Article 13 and Article 14 of the Protocol on the Privileges and Immunities of the Communities apply (purpose: taxation of those entitled to the allowance provided for in the event of termination of service)	OJ C 162, 5.6.2001
— Opinion No 5/2001 on a proposal to amend the Financial Regulation of the Office for Harmonisation in the Internal Market (Alicante)	Not published in OJ
— Opinion No 6/2001 concerning a draft Commission Regulation (Euratom, ECSC, EC) amending Commission Regulation No 3418/93 of 9 December 1993 laying down detailed rules for the implementation of certain provisions of the Financial Regulation of 21 December 1977	Not published in OJ
— Opinion No 7/2001 on a proposal for a Council Regulation amending Regulation (EEC, Euratom, ECSC) No 259/68 laying down the Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Communities	Not published in OJ
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— Opinion No 5/2002 on an amended proposal for a Council Regulation introducing special measures to terminate the service of officials of the Commission of the European Communities as part of the reform of the Commission	OJ C 236, 1.10.2002
— Opinion No 6/2002 on a proposal for a Council Regulation introducing special measures to terminate the service of officials of the General Secretariat of the Council of the European Union	OJ C 236, 1.10.2002

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— Opinion No 7/2002 on an amended proposal for a Council Regulation introducing special measures to terminate the service of European Parliament officials and temporary staff working in the Political Groups	OJ C 236, 1.10.2002
— Opinion No 8/2002 concerning a proposal for a revised Financial Regulation applicable to the budget of the European Agency for Reconstruction	Not published in OJ
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— Opinion No 12/2002 on the proposal for a Council Regulation on a Financial Regulation applicable to the ninth European Development Fund under the ACP/EU Partnership Agreement signed at Cotonou on 23 June 2000	OJ C 12, 17.1.2003
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— Opinion No 14/2002 on a proposal for a Council Regulation amending the Staff Regulations of officials and the Conditions of Employment of other servants of the European Communities	OJ C 21, 28.1.2003
— Opinion No 1/2003 on a proposal for a regulation for the Budget Committee of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) laying down the financial provisions applicable to the Office ('financial regulation')	Not published in OJ
— Opinion No 2/2003 on a proposal for a regulation of the Administrative Council of the Community Plant Variety Office laying down the financial provisions applicable to the Office ('Financial Regulation')	Not published in OJ
— Opinion No 3/2003 concerning the draft financial regulation of the European Food Safety Authority	Not published in OJ
— Opinion No 4/2003 concerning a draft Financial Regulation applicable to the Translation Centre for bodies of the European Union	Not published in OJ
— Opinion No 5/2003 on a proposal for a Council Regulation introducing, on the occasion of the accession of Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia, special temporary measures for recruitment of officials of the European Communities	OJ C 224, 19.9.2003
— Opinion No 6/2003 concerning the draft financial regulation of the European Agency for the Evaluation of Medicinal Products	Not published in OJ